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ARIZONA CORPORATION COMMISSION
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BOB STUMP, Chairman
GARY PIERCE
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BOB BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE
APPLICATION OF FARMERS WATER
CO., AN ARIZONA CORPORATION,
FOR A DETERMINATION OF THE
CURRENT FAIR VALUE OF ITS
UTILITY PLANT AND PROPERTY
AND FOR INCREASES IN ITS RATES
AND CHARGES FOR UTILITY
SERVICE.

DOCKET NO: W-01654A-13-0267

**NOTICE OF FILING REBUTTAL
TESTIMONY ON BEHALF OF
FARMERS WATER CO.**

Farmers Water Co. ("Company") hereby files the Rebuttal Testimony of Heather Triana and Rebuttal Testimony of Thomas J. Bourassa, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 10th day of April, 2014.

MUNGER CHADWICK, P.L.C.

Robert J. Metli
2398 E. Camelback Road, Suite 240
Phoenix, AZ 85016
Attorneys for Farmers Water Co.

ORIGINAL and thirteen (13) copies
filed this 10th day of April, 2014, with:

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

APR 10 2014

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1 COPY of the foregoing mailed/hand-
2 delivered this 10th day of April, 2014,
3 to:

3 Jane L. Rodda
4 Administrative Law Judge
5 Arizona Corporation Commission
6 400 W. Congress
7 Tucson, Arizona 85701

6 Janice Alward, Chief Legal Counsel
7 Legal Department
8 Arizona Corporation Commission
9 1200 W. Washington Street
10 Phoenix, Arizona 85007

9 Steven Olea, Director
10 Utilities Division
11 Arizona Corporation Commission
12 1200 W. Washington Street
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12 By 

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BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB STUMP, Chairman
GARY PIERCE
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IN THE MATTER OF THE
APPLICATION OF FARMERS WATER
CO., AN ARIZONA CORPORATION,
FOR A DETERMINATION OF THE
CURRENT FAIR VALUE OF ITS
UTILITY PLANT AND PROPERTY
AND FOR INCREASES IN ITS RATES
AND CHARGES FOR UTILITY
SERVICE.

DOCKET NO: W-01654A-13-0267

**REBUTTAL TESTIMONY OF
HEATHER TRIANA
ON BEHALF OF
FARMERS WATER CO.**

April 10, 2014

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1 **I. INTRODUCTION AND SUMMARY OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Heather Triana. My business address is 1525 East Sahuarita Road,
4 Sahuarita, AZ 85629-0007.

5 **Q. ARE YOU THE SAME HEATHER TRIANA THAT FILED DIRECT**
6 **TESTIMONY ON BEHALF OF FARMERS WATER CO. IN THIS CASE?**

7 A. Yes I am.

8 **Q. WOULD YOU SUMMARIZE YOUR REBUTTAL TESTIMONY?**

9 A. My Rebuttal Testimony addresses issues raised by Ms. Crystal Brown, Public
10 Utilities Analyst for Staff. Specifically, I want to address Staff's assertion that
11 Farmers Water Co.'s Equity Improvement Plan ("Equity Plan") does not "meet the
12 spirit of the Commission's directive"¹ as required by Decision No. 71510. Not only
13 does the Equity Plan comply with the Commission's directive, it is working to
14 significantly improve the Company's equity position. Next I will address Staff's
15 proposal that the Commission issue a directive to require the Company to meet
16 specific equity level improvement targets over the next ten years.² Such
17 recommendation is based upon Staff's misconception that the Equity Plan is not
18 working and the setting of arbitrary targets is not practical and is not based on
19 realistic, expected or anticipated events or occurrences. Furthermore, I will address
20 Staff's proposal that the Company fund AIAC refunds through additional paid-in
21 capital, add paid-in-capital each year equivalent to the annual level of CIAC
22 amortization, and continue this practice until equity reaches 40 percent.³ As I
23 testify below, such plan will not increase equity and there is no assurance it will
24

25 ¹ See Direct Testimony of Crystal S. Brown, p. 16, line 22.

26 ² See Direct Testimony of Crystal S. Brown, p. 17, line 5-12.

³ See Direct Testimony of Crystal S. Brown, p. 18, line 16-21.

1 increase rate base. Finally, I will address Staff's recommendation that the
2 Company discontinue the practice of recording receivables to FICO and that FICO
3 repay the receivable within two years.⁴ It is in the Company's financial interest to
4 be a part of one interconnected banking facility with FICO in order to access
5 funding and create leverage to obtain better pricing on such funding.

6 **II. EQUITY IMPROVEMENT PLAN**

7 **Q. ABOVE YOU ASSERT THAT THE COMPANY'S EQUITY PLAN MEETS**
8 **THE DIRECTIVE OF THE COMMISSION IN DECISION NO. 71510 AND**
9 **IS WORKING. CAN YOU EXPLAIN?**

10 **A.** Yes. On March 4, 2011, the Company filed its Equity Plan pursuant to Decision
11 No. 71510. The Company's Equity Plan set forth the following:

- 12
- 13 1. *Because all equity growth will come from internally generated Retained*
14 *Earnings derived from Operating Income, the Company will attempt to*
15 *maintain the operating margin authorized by the Commission by filing new*
16 *rate applications as often as practical and necessary.*
- 17 2. *File emergency rate applications as necessary when the Company incurs*
18 *significant, prudent and necessary expenses but does not have the ability to*
19 *pay, while maintaining the authorized operating margin.*
- 20 3. *Reinvest available Operating Income in new plant and equipment. This has*
21 *the equally important benefit of increasing Rate Base.*
- 22 4. *The Company will limit reliance on developer-funded plant (contributions*
23 *and advances) and invest its own capital where feasible.*
- 24 5. *Apply for Accounting Order(s) as necessary, to defer prudent and*
25 *necessary expenses for consideration of recovery in subsequent rate cases.*

26 ⁴ See Direct Testimony of Crystal S. Brown, p. 12, line 9-11.

1 6. *While the Company has typically not paid cash dividends above the amount*
2 *necessary to reimburse shareholders for income taxes on the distributive*
3 *share of the income from the Company, the Company will continue to*
4 *suspend cash dividends beyond that amount.*

5 **Q. HAS THE EQUITY PLAN BEEN SUCCESSFUL?**

6 A. Yes, I believe the Equity Plan has been successful. As I explain below, during the
7 period of October 1, 2007 to September 30, 2012, there was an increase in rate base
8 of \$733,501, from (\$748,645) to (\$15,143).

9 **Q. STAFF HAS ASSERTED THAT THE COMPANY DID NOT FUND PLANT**
10 **ADDITIONS WITH EQUITY, BUT WITH AIAC AND CIAC? IS THIS**
11 **TRUE?**

12 A. No. The majority of the plant additions since the last rate case were funded from
13 cash flow and retained earnings as described below. This is proof that the Equity
14 Plan is working.

15 **Q. PLEASE EXPLAIN.**

16 A. If you look at Decision No. 71510, the Company's last rate case decision, page 7
17 lines 1 through 3, states: "The Company had plant-in-service of \$6,591,381, with
18 Net Contributions in Aid of Construction ("CIAC") of \$465,111 and Advances in
19 Aid of Construction ("AIAC") of \$6,874,915." Please note that these amounts
20 include sums up to September 30, 2007. Moving forward to this rate case, the
21 balance of the Company's plant-in-service as of September 30, 2012 was
22 \$8,745,831, with CIAC in the amount of \$2,690,314 and AIAC in the amount of
23 \$6,070,660. I have summarized this activity below:

24 **Roll-forward Summary of Plant-in-service**

25 **September 30, 2007 (Decision 71510)**
26 Additions:

6,591,381

Meters – AIAC funded	303,725	
Meters – FWC funded	235,538	
Development – AIAC funded	1,626,524	
Development – FWC funded	1,082,075	
Other Fixed Assets – FWC funded	<u>264,286</u>	3,512,148
Reductions:		
Depreciation		<u>(1,357,698)</u>

September 30, 2012 Balance **8,745,831**

Roll-forward Summary of AIAC

September 30, 2007 (Decision 71510) **6,874,915**

Additions:

Meters	303,725	
Development	<u>1,626,524</u>	1,930,249

Reductions:

Transfers to CIAC	(2,436,482)	
Refunds	<u>(298,022)</u>	<u>(2,734,504)</u>

September 30, 2012 Balance **6,070,660**

Roll-forward Summary of CIAC

September 30, 2007 (Decision 71510) **465,111**

Transfer from AIAC	2,436,482
Amortization	<u>(211,279)</u>

September 30, 2011 Balance **2,690,314**

In looking at the Roll-forward schedules above, of the \$3,512,148 of additional Plant-in-Service, \$1,930,249 is attributable to AIAC. (Meters – AIAC funded \$303,725 + Development – AIAC funded \$1,626,524). The remaining **\$1,581,899** is attributable to funds provided by Farmers Water Co. (Meters – FWC funded \$235,538 + Development – FWC funded \$1,082,075 + Other Fixed Assets – FWC funded \$264,286). So in fact, the Company did use its own capital to fund plant additions.

1
2 **Q. PLEASE EXPLAIN IN MORE DETAIL HOW THE REMAINING**
3 **\$1,581,899 IS ATTRIBUTABLE TO FUNDS PROVIDED BY THE**
4 **COMPANY.**

5 A. Please note the Cashflow Analysis below for the period of October 1, 2007 to
6 September 30, 2012. (The period of time between the last rate case and the current
7 filing):

8	Fiscal Years 2008-2009	(367,557)
9	Fiscal years 2010-2012	<u>232,393</u>
10	Operating Results:	(135,163)
11	Amortization	(211,278)
12	Depreciation	1,357,698
13	Reduction in Receivable (FICO)	931,311
14	Refunds for AIAC	(298,022)
15	Receivables	(34,982)
16	Prepays	1,385
17	A/P	29,202
18	WIP	(29,953)
19	Adjustment to Retained Earnings for Depreciation correction noted in current rate case:	(19,322)
20	FWC funded Capital	<u>(1,581,899)</u>
21	Cashflow for period 10/1/07 to 09/30/2012	8,976
22	Cash at 9/30/2007	<u>(8,976)</u>
23	Cash at 9/30/2012	<u>0</u>

24
25 The Company had a receivable on its books at September 30, 2007, of \$1,026,334
26

1 from FICO. At September 30, 2012, this receivable had been reduced to
2 \$95,023.46. This is a change of \$931,310.54. The funds from this receivable were
3 used to fund the \$1,581,899 increase in Plant-in-Service paid by the Company.
4 Since these funds came from a reduction in a receivable, you would not see this
5 within the Company's equity account as indicated by Staff.

6 **Q. PLEASE EXPLAIN HOW THE COMPANY'S RATEBASE HAS**
7 **INCREASED BY \$733,501 SINCE THE LAST RATE CASE.**

8 **A.** In the last rate case, the Company used a test year ending September 30, 2007. The
9 Company's equity was (\$440,202). What Staff has not acknowledged was that in
10 that case, there was a "pre-Filing Adjustment" to the Company's equity account of
11 \$700,792. This \$700,792 was composed of known changes to be made to the
12 Plant-in-Service, AIAC, and CIAC accounts. In order to reconcile the Company
13 books to reflect the amount represented in the rate case, this entry was made within
14 the 2010 Fiscal year, although it related to activity from the 2007 fiscal year and
15 prior. In addition, during the last rate case it was determined that there was
16 incorrect recording of Depreciation, AIAC, and CIAC from the end of the test year
17 (September 30, 2007) to the time of Decision No. 71510 was issued (March 2010).
18 The net adjustment to the Company's equity to correct this interim activity was to
19 increase equity by \$153,545. The resulting adjustments (\$700,792 and \$153,545)
20 were combined in one entry as an \$854,337 adjustment.

21 During the period of October 1, 2007 to September 30, 2012, by removing
22 the effect of the \$770,792 adjustment discussed above, there was an increase in rate
23 base of \$733,501, from (\$748,645) to (\$15,143). This includes the \$153,545
24 portion of the \$854,337 adjustment booked in 2010, as it related specifically to
25 activity occurring within the fiscal years 2008 and 2009.
26

1 **Q. HAS THE COMPANY'S EQUITY IMPROVED SINCE THE LAST RATE**
2 **CASE?**

3 **A.** Yes, equity has increased since the last rate case decision was implemented. Fiscal
4 years 2010 through 2012 had a net increase in equity of \$232,393. The Company
5 could not increase equity in 2008 and 2009 as we knew at that time that our
6 expenses to operate exceeded our revenue and that was one of the reasons for filing
7 the last rate case. The breakdown is as follows:

8	Stock and Excess Paid in	500,000
9		
10	Retained Earnings 9/30/2007	<u>(940,202)</u>
11	Equity 9/30/2007	(440,202)
12		
13	Adjustment pre-filing	<u>700,792</u>
14	Adjusted Equity 9/30/2007	260,590
15		
16	Inc.(Loss) Fiscal Years 2008-2009	(367,557)
17		
18	Inc. (Loss) Fiscal years 2010-2012	<u>232,393</u>
19		
20	Equity 9/30/2012	125,427

21 **Q. HAS THE COMPANY LIMITED ITS RELIANCE ON DEVELOPER**
22 **FUNDED PLANT (AIAC AND CIAC)?**

23 **A.** Yes. Under the Equity Plan, the Company stated that it would limit its reliance on
24 developer funded plant (AIAC and CIAC) and invest its own capital where
25 feasible. The Company has done this. Moreover, the Company has entered into
26 only one relatively small Line Extension creating AIAC since the last Decision in
March 2010. This Line Extension did not add capacity to the Company and was

1 for the infrastructure within the development.

2 **Q. YOU STATE THAT THE COMPANY LIMITED ITS RELIANCE ON**
3 **DEVELOPER FUNDED PLANT (AIAC AND CIAC). PLEASE EXPLAIN.**

4 **A.** There was \$1,208,768 of additional AIAC in 2009. All three of these Line
5 Extension Agreements were entered into prior to Decision 71510. \$578,236
6 relates to Madera Highlands, Village 22 which was entered into March 2, 2006.
7 \$158,451 relates to the Madera Foothills Estates, Lots 43-61 which was entered
8 into September 13, 2006. Finally, \$472,081 relates to The Retreat at Santa Rita
9 Springs, Phase I which was entered into October 22, 2007. All three of these
10 agreements were completed before March 2010.

11 That leaves only \$417,756 of the \$1,626,524 (Development-AIAC funded)
12 which was recorded by the Company in Fiscal Year 2011. Of this amount \$37,500
13 is for The Shoppes at La Posada. This Line Extension Agreement was entered into
14 on May 30, 2008. Construction was completed within 2008. The Company did
15 not record this amount until September of 2011 as it had not received enough
16 documentation from the Developer until then to record. The remaining \$380,256
17 is for the Sahuarita High School No. 2 – Walden Grove High School. This Line
18 Extension was entered into on January 2010. The total Plant-in-Service recorded
19 by FWC was \$1,462,331 relating to this project; FWC only received \$380,256 of
20 AIAC from the Developer. Therefore, FWC funded \$1,082,075 of this project that
21 is equal to 74% of the total costs. Finally, the only Line Extension that the
22 Company has entered into since the last Decision is for \$138,948, with Meritage
23 Homes Construction, Inc., as approved by the Commission by letter dated
24 November 25, 2013. This Line Extension is not included in the preceding financial
25 analysis because it is from the fall of 2013, or more than one year after the test
26

1 year. As previously stated, this Line Extension is strictly related to the
2 development.

3 In addition, the Company has funded \$235,538 of the total \$539,263 meters
4 added to Plant-in-Service. The Company has spent \$264,286 on additional Plant-
5 in-Service for repairs and replacements, betterments and miscellaneous other
6 capital items since the last test year.

7 **III. STAFF'S EQUITY IMPROVEMENT RECOMMENDATIONS**

8 **Q. STAFF HAS PROPOSED THAT THE COMMISSION ISSUE A**
9 **DIRECTIVE REQUIRING THE COMPANY TO MEET SPECIFIC**
10 **EQUITY IMPROVEMENT TARGETS. DO YOU AGREE WITH THEM?**

11 **A.** No. First, Staff's recommendation is based on the faulty premise that the
12 Company's Equity Improvement Plan is not working. As I testified above, the
13 Company's equity has improved by \$232,395 since the last rate case decision was
14 implemented, and the Company's rate base has improved since the last test year by
15 \$733,501, from (\$748,645) to (\$15,143). Staff has proposed that the Commission
16 institute directives that would require 20 percent equity within five years, 30
17 percent equity within seven years, and 40 percent equity within ten years. Such
18 arbitrary targets are not practical and are not based on realistic, expected or
19 anticipated events or occurrences. The Company has entered into only one small
20 Line Extension since the last Decision. With the current economic conditions,
21 additional development may or may not occur into the foreseeable future. In any
22 event, whether future development occurs is out of the Company's control. In
23 order for the Company to increase its equity base it must have something to invest
24 in. Without the development of new customers, the Company is left to invest in
25 existing infrastructure supporting existing customers. The only time this is
26

1 necessary from a capital investment standpoint, is if there is a need for a major
2 repair, replacement or betterment. The Company cannot "manufacture" these types
3 of situations or occurrences. If the existing infrastructure is working properly and
4 meeting customer requirements, then it is not a sound business decision to replace
5 for the sake of additional investment. In addition, the Commission would not
6 allow recovery of such investment if it is not deemed prudent, thereby defeating the
7 purpose of the requirement. To date, as major repairs, replacements or betterments
8 have occurred the Company has funded these.

9 **Q. STAFF HAS ALSO PROPOSED THAT THE COMMISSION DIRECT THE**
10 **COMPANY TO INCLUDE PAID-IN-CAPITAL AS PART OF ITS FUTURE**
11 **PLAN TO BUILD EQUITY AND FUND PLANT ADDITIONS DO YOU**
12 **AGREE?**

13 **A.** No. Staff has proposed the Company fund AIAC refunds through additional paid-
14 in capital, add paid-in-capital each year equivalent to the annual level of CIAC
15 amortization, and continue this practice until equity reaches 40 percent. AIAC
16 refunds are a cash flow and have no impact on equity. The activity reduces cash
17 and reduces the liability. If the Company were to fund AIAC through additional
18 paid-in-capital, this would increase the cash available to spend on plant-in-service,
19 but if there is no need for paid in plant-in-service, then there is no benefit to the
20 Company or its customers. In regards to adding paid-in-capital each year
21 equivalent to the annual level of CIAC amortization, the initial impact would be to
22 offset the effect on equity by the amortization, and therefore create additional cash
23 flow. As previously stated, without the need for additional plant-in-service, rate
24 base would not be increased, thereby defeating the purpose of such a requirement.
25
26

1 **Q. STAFF IS RECOMMENDING THAT THE COMPANY DISCONTINUE**
2 **THE PRACTICE OF RECORDING RECEIVABLES TO FARMERS**
3 **INVESTMENT COMPANY (FICO) AND THAT FICO REPAY THE**
4 **RECEIVABLE OWED TO THE COMPANY IN THE AMOUNT OF \$95,023**
5 **WITHIN TWO YEARS. DO YOU AGREE?**

6 **A.** No. FICO maintains one banking relationship for all of its operations and has a
7 Working Line of Credit with its bank. Each night any funds on hand are applied
8 against this line of credit balance. Cash transactions are reflected on consolidated
9 bank accounts by subaccounts for each entity/division within FICO. The
10 transactions between FICO and its entities/divisions are done through an
11 intercompany account. Therefore the intercompany account is a cash flow account
12 representing at any time what the cash balance owed or receivable is between
13 FICO and its entities/divisions.

14 It is in the Company's financial interest to be a part of this system. With
15 FICO having all of its entities/divisions part of one interconnected banking facility,
16 the Company is able to leverage its overall banking needs to obtain better pricing
17 then if each entity/division was to have to seek separate banking and loan funding.
18 With the Company's past earnings history and the current projected earnings, it
19 would be impossible for it to obtain banking at equivalent costs and availability to
20 funds.

21 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

22 **A.** Yes, it does.
23
24
25
26

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

IN THE MATTER OF THE APPLICATION
OF FARMERS WATER CO. FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND
PROPERTY AND FOR AN INCREASE IN
ITS RATES AND CHARGES BASED
THEREON.

DOCKET NO: W-01654A-13-0267

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT AND RATE DESIGN)

April 10, 2014

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona 85029.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

6 A. On behalf of the applicant, Farmers Water Company ("Farmers" or the
7 "Company").

8 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE**
9 **INSTANT CASE?**

10 A. Yes. My direct testimony was submitted in support of the initial application filed
11 in this matter.

12 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

13 A. I will provide rebuttal testimony in response to the direct filing by Arizona
14 Corporation Commission Utilities Division Staff ("Staff"). More specifically, my
15 rebuttal testimony relates to the determination of operating income, rate base,
16 income statement and rate design.

17 **Q. WHAT IS THE REVENUE REQUIREMENT ADJUSTMENT THAT THE**
18 **COMPANY IS PROPOSING IN ITS REBUTTAL FILING?**

19 A. The Company is requesting an increase in revenues of \$162,435, an increase of
20 19.67 percent for a total revenue requirement of \$988,365.

21 **Q. HOW DOES THIS COMPARE WITH THE REVENUE REQUIREMENT**
22 **PROPOSED BY THE COMPANY IN ITS DIRECT TESTIMONY?**

23 A. In the direct filing, the Company requested an increase in revenues of \$186,158, an
24 increase of 22.68 percent for a total revenue requirement of \$1,006,973.

25 **Q. WHY IS THE REVENUE REQUIREMENT IN THIS REBUTTAL**
26 **TESTIMONY LOWER THAN IN THE DIRECT TESTIMONY**

1 A. The Company has adopted a number of adjustments recommended by Staff, as
2 well as proposed a number of adjustments of its own. The Company continues to
3 propose a 10 percent operating margin as the Company's rate base is negative and a
4 rate of return approach would not be meaningful. Farmer's rebuttal Original Cost
5 Rate Base ("OCRB") and Fair Value Rate Base ("FVRB") have not changed from
6 its direct filing. The OCRB is \$ (15,141). The Company continues to request that
7 its OCRB be treated as its FVRB.

8 **II. REVENUE REQUIREMENT**

9 **Q. WHAT ARE THE REVENUE REQUIREMENTS AND RATE INCREASES**
10 **FOR THE COMPANY AND STAFF?**

11 A. The proposed revenue requirements and proposed rate increases are as follows:

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
13 Company-Direct	\$ 1,006,973	\$ 186,158	22..68%
14 Staff	\$ 976,757	\$ 150,829	18.26%
15 Company Rebuttal	\$ 988,365	\$ 162,435	19.67%

16 **Q. WHAT IS THE COMPANY'S PROPOSED OPERATING MARGIN?**

17 A. The Company is proposing an operating margin 10.00 percent. This is at the low
18 end of the range (10% to 20%) typically recommended by Staff in cases where an
19 operating margin approach is utilized to determine the revenue requirement. Staff
20 also proposes a 10 percent operating margin.

21
22 **III. RATE BASE**

23 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**
24 **BASE RECOMMENDATIONS AT THIS STAGE OF THE PROCEEDING?**

25 A. The rate bases proposed by all parties in the case are as follows:
26

	<u>OCRB</u>	<u>FVRB</u>
Company-Direct	\$(15,141)	\$(15,141)
Staff	\$(15,141)	\$(15,141)
Company Rebuttal	\$(15,141)	\$(15,141)

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED OCRB, AND IDENTIFY ANY ADJUSTMENTS THAT YOU HAVE ACCEPTED FROM STAFF?

A. Yes. Staff has not proposed any adjustments to the Company's OCRB. Both the Company and Staff are in agreement on the rate base.

IV. INCOME STATEMENT

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?

A. The Company rebuttal adjustments are detailed on rebuttal schedule C-2, pages 1 through 10. The rebuttal income statement with adjustments is shown on rebuttal schedule C-1, pages 1 and 2.

In rebuttal C-2 adjustment number 1, the depreciation expense is annualized. Depreciation expense has not changed from the Company's direct filing as the Company does not propose any rebuttal adjustments to plant-in-service, accumulated depreciation and/or contributions-in-aid of construction. Both Staff and the Company propose the same level of depreciation expense.¹

Rebuttal C-2 adjustment number 2 reflects the adjustment to property taxes using the Company's rebuttal proposed revenues. The Company and Staff are in agreement on the method of computing property taxes. Further, the Company

¹ Compare Farmers Rebuttal Schedule C-1, page 1 and Staff Schedule CSB-5 for depreciation expense totaling \$255,898.

1 agrees with Staff on the use of an assessment ratio of 19 percent.²

2 Rebuttal C-2 adjustment number 3 increases other water revenues by \$5,114
3 and reflects the Company's adoption of the Staff proposed adjustment for revenues
4 received from Pima County for providing consumption data to Pima County.³

5 Rebuttal C-2 adjustment number 4 reduces miscellaneous expense by
6 \$8,311 to reflect the Company's adoption of Staff's recommendation to reclassify
7 \$7,687 of miscellaneous expense to water testing expense and to remove \$624 of
8 meals and entertainment expense.⁴ Rebuttal C-2 adjustment number 4 also
9 increases water testing expense to reflect the Company's adoption of Staff's
10 recommendation to reclassify \$7,687 of miscellaneous expense to water testing
11 expense

12 Rebuttal C-2 adjustment number 5 reduces water testing expense services by
13 \$1,617 and reflects the Company's adoption of Staff's proposed adjustment to
14 reconcile to Staff's recommended water testing expense of \$11,502.⁵

15 Rebuttal C-2 adjustment number 6 reduces transportation expense by \$5,991
16 to reflect the Company's adoption of the transportation expense recommended by
17 Staff.⁶

18 Rebuttal C-2 adjustment number 7 reduces miscellaneous expense by
19 \$7,005 to reflect the Company's revised annualized costs Web and Non-Web
20 banking fees. Staff is recommending a reduction of \$8,530; a difference of
21 \$1,525.⁷ The difference is due to the difference in the Company and the Staff

² See Direct Testimony of Crystal S. Brown ("Brown Dt.") at 11.

³ Brown Dt. at 7.

⁴ Brown Dt. at 10.

⁵ Brown Dt. at 9.

⁶ Brown Dt. at 9.

⁷ Brown Dt. at 10.

1 recommended amounts for Web based fees. The Company recommends Web
2 based fees totaling \$5,111 whereas Staff recommends Web based fees totaling
3 \$3,586.⁸ The Company's proposed amount reflects a full 12 months of fees
4 whereas Staff's recommended amount only reflects 9 months of fees.

5 **Q. PLEASE EXPLAIN.**

6 A. The test year expenses did not include any Web based banking fees as the
7 Company's web site did not become operational until after the end of the test year.⁹
8 The Company began incurring Web based banking fees in January 2013 (4 months
9 after the end of the test year and 4 months into Fiscal Year 2013¹⁰). At the time of
10 its initial filing, the Company estimated the Web based banking fees in its direct
11 based upon the best available information. Since then, the Company has incurred
12 12 months of actual expenses and proposes to use the 12 months of actual expenses
13 incurred from January 2013 to December 2013, or \$5,111, as its estimate of the
14 fees the Company will incur on a going forward basis.

15 **Q. HOW DID STAFF DETERMINE THE EXPECTED FULL 12 MONTHS OF**
16 **WEB BASED BANKING FEES IT RECOMMENDS?**

17 A. Staff relies on the Company's data request response CSB 2.16b attached hereto as
18 Rebuttal Exhibit TJB-RB-RB1 which shows the full amount of Web based banking
19 fees for Fiscal 2013 year were only incurred from January 2013 through September
20 2013 and totaled \$3,586. Thus, the Staff recommended Web based banking fee
21 amount does not reflect a full year of expense.

22 **Q. HOW DID THE COMPANY DETERMINE THE EXPECTED FULL 12**
23 **MONTHS OF WEB BASED BANKING FEES IT RECOMMENDS?**

⁸ See Staff Schedule CSB-11.

⁹ Brown Dt. at 10.

¹⁰ Fiscal year runs from October 1 to September 30.

1 A. The Company's proposed Web based banking fee amount of \$5,111 is based upon
2 the 12 months of Web based banking fees the Company incurred from January
3 2013 to December 2013. These costs are known and measurable and reflect the
4 total costs for a full 12 months rather than 9 months. This information was
5 provided to Staff in the Company's response to data request CSB 3.11 which is
6 attached hereto as Rebuttal Exhibit TJB-RB-RB2.

7 **Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE**
8 **COMPANY'S PROPOSED REVENUE AND EXPENSE ADJUSTMENTS.**

9 A. Rebuttal C-2 adjustment number 8 increases salaries and wages by \$624 from
10 \$255,887 to the full annualized 2013 wages of \$256,529. The Company does not
11 agree with Staff's proposed reduction of \$7,996 to salaries and wages and total
12 salaries and wages amount of \$247,891.¹¹ Staff's recommended adjustment is
13 misplaced based upon the now known and measurable change to the test year.

14 **Q. DOES THE COMPANY'S REBUTTAL RECOMMENDED SALARIES AND**
15 **WAGES LEVEL REFLECT ANY 2014 WAGE INCREASES?**

16 A. No. It in its direct filing, the Company projected 2013 and 2014 wages to be
17 \$252,510 and \$255,887. It recommended salaries and wages of \$255,887 which
18 was originally based upon the 2014 projected level of wages. However, the actual
19 wages for 2013 are \$256,529 and do not reflect any expected changes for 2014
20 Since the \$256,529 is a known and measurable change to the test year and a more
21 realistic level of wages expense the Company expects to incur on a going forward
22 basis, it should be adopted.

23 **Q. THANK YOU. PLEASE CONTINUE.**

24 A. Rebuttal C-2 adjustment number 9 reflects income taxes calculated at the

¹¹ Brown Dt. at 7-8.

1 Company's proposed revenue and expense levels.

2 **Q. ARE THE COMPANY AND STAFF IN AGREEMENT ON THE INCOME**
3 **TAX RATES?**

4 A. Yes.¹²

5 **Q. ARE THER ANY REMAINING DISPUTES BETWEEN THE COMPANY**
6 **AND STAFF WITH RESPECT TO REVENUES AND/OR EXPENSES?**

7 A. No.

8 **V. RATE DESIGN (H SCHEDULES).**

9 **Q. WHAT ARE THE COMPANY'S PROPOSED RATES?**

10 A. The Company's proposed rates are:

11 **MONTHLY SERVICE CHARGES**

12	5/8" x 3/4" Meter	\$ 9.07
13	3/4" Meter	\$ 13.61
14	1" Meter	\$ 22.68
15	1 1/2" Meter	\$ 45.35
16	2" Meter	\$ 72.56
17	3" Meter	\$145.12
18	4" Meter	\$226.75
19	6" Meter	\$453.50
20	2" Construction/Standpipe (Assigned)	\$72.56
21	3" Construction/Standpipe (Assigned)	\$247.12
22	6" Construction/Standpipe (Assigned)	\$453.50
23		
24	Gallons in minimum	0

¹² Compare Farmers Rebuttal Schedule C-3, page 2 and Staff Schedule CSB-2.

COMMODITY RATES

5/8"X3/4" –Res.	1 to 3,000	\$ 1.35
	3,001 to 10,000	\$ 2.05
	Over 10,000	\$ 2.75
5/8"X3/4" Meter – Com., Ind., Irr.	1 to 10,000	\$ 2.05
	Over 10,000	\$ 2.75
3/4" – Res.	1 to 4,000	\$ 1.44
	4,001 to 10,000	\$ 2.05
	Over 10,000	\$ 2.75
3/4" Meter – Com., Ind., Irr.	1 to 10,000	\$ 2.05
	Over 10,000	\$ 2.75
1" Meter – All Classes	1 to 12,500	\$ 2.05
	Over 12,500	\$ 2.75
1 ½" Meter – All Classes	1 to 25,000	\$ 2.05
	Over 25,000	\$ 2.75
2" Meter– All Classes	1 to 40,000	\$ 2.05
	Over 40,000	\$ 2.75
3" Meter– All Classes	1 to 80,000	\$ 2.05
	Over 80,000	\$ 2.75
4" Meter– All Classes	1 to 126,000	\$ 2.05
	Over 126,000	\$ 2.75
6" Meter– All Classes	1 to 250,000	\$ 2.05
	Over 250,000	\$ 2.75
2" Meter Construction/Standpipe:		
Individually Assigned Customer	1 to 40,000	\$ 2.05
	Over 40,000	\$ 2.75

1 No Assigned Customer All gallons \$ 2.75

2

3 3" Meter Construction/Standpipe:

4 Individually Assigned Customer 1 to 80,000 \$ 2.05

5 Over 80,000 \$ 2.75

6 No Assigned Customer All gallons \$ 2.75

7

8 6" Meter Construction/Standpipe:

9 Individually Assigned Customer 1 to 250,000 \$ 2.05

10 Over 250,000 \$ 2.75

11 No Assigned Customer All gallons \$ 2.75

12

13 **Q. WHAT WILL BE THE 5/8X3/4 INCH RESIDENTIAL CUSTOMER**
14 **AVERAGE MONTHLY BILL UNDER THE NEW RATES?**

15 A. As shown on Rebuttal Schedule H-2, page 1, the average monthly bill under
16 proposed rates for a 5/8x3/4 inch residential customer using an average 5,334
17 gallons is \$17.91 – a \$1.72 increase over the present monthly bill or a 10.63
18 percent increase.

19 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE COMPANY'S**
20 **DIRECT PROPOSED RATE DESIGN?**

21 A. Yes. There are two changes. First, the Company has adopted Staff's recommended
22 break-over points for the 5/8x3/4 residential customers of 3,000 gallons and 10,000
23 gallons.¹³ The Company and Staff are in agreement on the break-over points for all
24 meter sizes. Second, the Company has adopted Staff's approach to setting the

¹³ See Staff Schedule CSB-15, page 1 of 3.

1 monthly minimum service charge for the $\frac{3}{4}$ and larger meters Under the Staff
2 approach the larger meter monthly minimum service charges are scaled relative to
3 the flows of a $\frac{5}{8} \times \frac{3}{4}$ inch meter, e.g. the monthly minimum for a $\frac{3}{4}$ inch meter is
4 equal to the monthly minimum for a $\frac{5}{8}$ inch meter times the AWWA meter flow
5 factor of 1.5.

6 **Q. PLEASE COMMENT ON THE STAFF RATE DESIGN.**

7 A. The Staff rates produce too much revenue; by my estimation about \$26,000. I have
8 contacted Staff about the issue. Having said that, because of discrepancy in the
9 revenue generated by the Staff rate design it is difficult to meaningfully compare
10 how each of the parties recover revenues through the rates (e.g. monthly minimums
11 vs. commodity rates).

12 **1. Other Tariff Changes.**

13 **Q. ARE THERE ANY DISPUTES BETWEEN STAFF AND THE COMPANY**
14 **ON THE COMPANY PROPOSED MISCELLANEOUS CHARGES AND**
15 **METER AND SERVICE LINE INSTALLATION CHARGES?**

16 A. No. The Company and Staff are in agreement.

17 **VI. EQUITY IMPROVEMENT PLAN**

18 **Q. DO YOU HAVE ANY COMMENTS ON THE STAFF TESTIMONY**
19 **REGARDING THE COMPANY'S EQUITY IMPROVEMENT PLAN.**

20 A. Yes. I have four comments. First, the Company has followed its equity
21 improvement plan and it has had positive and meaningful results. In other words,
22 the plan is working. Since the last rate case, rate base has improved by over
23 \$733,000 from a negative \$748,646¹⁴ (Decision 71510) to a negative \$15,141 in
24 the instant case. It has accomplished that by using nearly \$1.6 million of its own

¹⁴ See Decision 71510 dated March 17, 2010.

1 capital for plant improvements since the last test year. Further, the Company's
2 equity balance has improved from a negative \$440,202 in the last rate case to a
3 positive \$125,427 in the instant case. This is despite several years of net losses that
4 occurred since the end of the last test year (12 months ended September 30, 2007)

5 Third, the Staff recommended requirement that the Company's rate base
6 should have 20 percent equity within 5 years, 30 percent equity within seven years,
7 and 40 percent equity within ten years are arbitrary benchmarks that are not
8 entirely in control of the Company.¹⁵ The amount of capital the Company may
9 have the opportunity to invest in plant-in-service is largely conditioned upon future
10 growth, plant capacity needs, and/or needed plant replacements in the future. The
11 Company cannot control how much growth will occur in the future and similarly
12 cannot control how much additional backbone facilities (capacity) it will need to
13 address growth. While the Company is willing to provide the capital as needed
14 (and in a balanced way) in the future, investing in plant for the sake of investing in
15 plant does not make sense. Only plant investment that is prudent and used and
16 useful will be recognized in rate base. Staff engineering witness, Mr. Lui,
17 concludes that the Company currently has sufficient production and storage
18 capacity to serve existing customers plus reasonable growth.¹⁶ Opportunities for
19 future capital investment in production and storage capacity are limited under
20 reasonable growth assumptions.

21 Fourth, Staff's recommendations that the Company fund AIAC refunds
22 through additional paid-in-capital and add paid-in-capital to an annual level of
23 CIAC amortization do little, if anything, to improve rate base nor improve the

¹⁵ Brown Dt. at 17.

¹⁶ See Direct Testimony of Mr. Jian W. Liu ("Liu Dt.") at 6.

1 percentage of equity funding the rate base.¹⁷ This is because net plant-in-service is
2 declining (by virtue of annual depreciation) at a rate similar the AIAC refund rate
3 and the CIAC amortization rate.

4 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS?**

5 A. Not at this time. I would note that Ms. Triana also addresses the Staff testimony
6 on this subject in her rebuttal testimony.

7 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

8 A. Yes.

¹⁷ Brown Dt. at 18.

FARMERS WATER CO.

Docket No. W-01654A-13-0267

Bourassa Testimony

Rebuttal Schedules

Farmers Water Co.
Test Year Ended September 30, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line No.							
1	Fair Value Rate Base			\$	(15,141)		
2							
3	Adjusted Operating Income				(41,737)		
4							
5	Current Rate of Return				N/A		
6							
7	Required Operating Income			\$	98,836		
8							
9	Required Operating Margin				10.00%		
10							
11	Operating Income Deficiency			\$	140,573		
12							
13	Gross Revenue Conversion Factor				1.1555		
14							
15	Increase in Gross Revenue Requirement			\$	162,435		
16							
17							
18	Adjusted Test Year Revenues			\$	825,929		
19	Increase in Gross Revenue Requirement			\$	162,435		
20	Proposed Revenue Requirement			\$	988,365		
21	% Increase				19.67%		
22							
23	Customer		Present	Proposed	Dollar	Percent	
24	Classification		Rates	Rates	Increase	Increase	
25	5/8x3/4 Inch Residential	\$	475,171	\$	521,870	\$	46,700 9.83%
26	1 Inch Residential		80,520		120,276		39,756 49.37%
27							
28	1 1/2 Inch Multi-Family		6,270		8,459		2,190 34.92%
29	2 Inch Multi-Family		27,394		37,147		9,753 35.60%
30	3 Inch Multi-Family		5,450		9,428		3,978 73.00%
31	4 Inch Multi-Family		11,907		14,571		2,664 22.37%
32	6 Inch Multi-Family		7,431		10,792		3,361 45.23%
33							
34	5/8x3/4 Inch Commercial		2,679		2,944		265 9.89%
35	1 Inch Commercial		5,592		7,486		1,894 33.88%
36	1 1/2 Inch Commercial		3,775		5,745		1,970 52.20%
37	2 Inch Commercial		26,353		38,680		12,327 46.78%
38	3 Inch Commercial		4,452		5,799		1,347 30.25%
39							
40	5/8x3/4 Inch Industrial		971		1,067		96 9.90%
41	1 Inch Industrial		4,086		5,040		954 23.35%
42	2 Inch Industrial		66,212		75,130		8,918 13.47%
43							
44	5/8x3/4 Inch Irrigation		5,300		6,069		769 14.51%
45	1 Inch Irrigation		16,922		24,598		7,676 45.36%
46	1 1/2 Inch Irrigation		3,473		5,424		1,951 56.16%
47	2 Inch Irrigation		50,327		64,426		14,098 28.01%
48							
49	2 Inch Standpipe		388		436		48 12.24%
50	6 Inch Standpipe		4,340		4,872		531 12.24%
51							
52	Revenue Annualization		1,840		3,196		1,355 73.66%
53	Subtotal	\$	810,853	\$	973,454	\$	162,601 20.05%
54							
55	Other Water Revenues		15,089		15,089		- 0.00%
56	Reconciling Amount		(12)		(178)		(166) 1383.33%
57	Rounding		-		-		- 0.00%
58	Total of Water Revenues	\$	825,930	\$	988,365	\$	162,435 19.67%

SUPPORTING SCHEDULES:

B-1
C-1
C-3
H-1

Farmers Water Co.
Test Year Ended September 30, 2012
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 11,992,014	\$ 11,992,014
3	Less: Accumulated Depreciation	3,246,181	3,246,181
4			
5	Net Utility Plant in Service	\$ 8,745,834	\$ 8,745,834
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	5,650,367	5,650,367
9			
10	Contributions in Aid of Construction	3,012,974	3,012,974
11			
12	Accumulated Amortization of CIAC	(322,660)	(322,660)
13			
14	Customer Meter Deposits	420,294	420,294
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	<u>Plus:</u>		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Working Capital	-	-
25			
26			
27			
28	Total Rate Base	\$ (15,141)	\$ (15,141)
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43	<u>SUPPORTING SCHEDULES:</u>		
44	B-2		
45	B-3		
46	B-5		
47	E-1		
48			
49			
50			
51			
52			

Farmers Water Co.
Test Year Ended September 30, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustment	Rebuttal at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 11,992,014	-	\$ 11,992,014
3				
4	Less:			
5	Accumulated			
6	Depreciation	3,246,181	-	3,246,181
7				
8				
9	Net Utility Plant			
10	in Service	\$ 8,745,834		\$ 8,745,834
11				
12	Less:			
13	Advances in Aid of			
14	Construction	5,650,367	-	5,650,367
15				
16	Contributions in Aid of			
17	Construction - Gross	3,012,974	-	3,012,974
18				
19	Accumulated Amortization of CIAC	(322,660)	-	(322,660)
20				
21	Customer Meter Deposits	420,294	-	420,294
22	Accumulated Deferred Income Tax	-	-	-
23				-
24				-
25				
26	Plus:			
27	Unamortized Finance			
28	Charges	-	-	-
29	Prepayments	-	-	-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				-
33				
34	Total	<u>\$ (15,141)</u>		<u>\$ (15,141)</u>

SUPPORTING SCHEDULES:

B-2, pages 2

E-1

RECAP SCHEDULES:

B-1

Farmers Water Co.
Test Year Ended September 30, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at End of Test Year	<u>Proforma Adjustments</u>					Rebuttal Adjusted at end of Test Year
			<u>1</u> Plant-in- Service	<u>2</u> Accumulated Depreciation	<u>3</u> Intentionally Left Blank	<u>4</u> Intentionally Left Blank	<u>5</u> Intentionally Left Blank	
1	Gross Utility							
2	Plant in Service	\$ 11,992,014	-					\$ 11,992,014
3								
4	Less:							
5	Accumulated							
6	Depreciation	3,246,181		-				3,246,181
7								
8								
9	Net Utility Plant							
10	in Service	\$ 8,745,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,745,834
11								
12	Less:							
13	Advances in Aid of							
14	Construction	5,650,367						5,650,367
15								
16	Contributions in Aid of							
17	Construction (CIAC)	3,012,974						3,012,974
18								
19	Accumulated Amort of CIAC	(322,660)						(322,660)
20								
21	Customer Meter Deposits	420,294						420,294
22	Accumulated Deferred Income Taxes	-						-
23								
24								
25	Plus:							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments	-						-
29	Materials and Supplies	-						-
30	Allowance for Cash Working Capital	-						-
31								
32	Total	\$ (15,141)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (15,141)

SUPPORTING SCHEDULES:
B-2, pages 3-5
E-1

RECAP SCHEDULES:
B-1

Farmers Water Co.
Test Year Ended September 30, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

		Plant-in-Service						
Line No.			A	B	Adjustments C	D	E	Rebuttal Adjusted Original Cost
		Adjusted Original Cost	Adjustments To Reconcile Plant To Reconstruction	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	
4	Acct.							
5	No. Description							
6	301 Organization Cost	6,893	-					6,893
7	302 Franchise Cost	-	-					-
8	303 Land and Land Rights	-	-					-
9	304 Structures and Improvements	173,667	-					173,667
10	305 Collecting and Impounding Res.	-	-					-
11	306 Lake River and Other Intakes	-	-					-
12	307 Wells and Springs	695,019	-					695,019
13	308 Infiltration Galleries and Tunnels	-	-					-
14	309 Supply Mains	-	-					-
15	310 Power Generation Equipment	-	-					-
16	311 Electric Pumping Equipment	578,087	-					578,087
17	320 Water Treatment Equipment	-	-					-
18	320.1 Water Treatment Plant	-	-					-
19	320.2 Chemical Solution Feeders	1,060	-					1,060
20	330 Dist. Reservoirs & Standpipe	-	-					-
21	330.1 Storage tanks	892,565	-					892,565
22	330.2 Pressure Tanks	51,164	-					51,164
23	331 Trans. and Dist. Mains	7,563,919	-					7,563,919
24	333 Services	912,023	-					912,023
25	334 Meters	639,567	-					639,567
26	335 Hydrants	318,441	-					318,441
27	336 Backflow Prevention Devices	-	-					-
28	339 Other Plant and Misc. Equip.	-	-					-
29	340 Office Furniture and Fixtures	1,170	-					1,170
30	340.1 Computers and Software	108,718	-					108,718
31	341 Transportation Equipment	49,719	-					49,719
32	342 Stores Equipment	-	-					-
33	343 Tools and Work Equipment	-	-					-
34	344 Laboratory Equipment	-	-					-
35	345 Power Operated Equipment	-	-					-
36	346 Communications Equipment	-	-					-
37	347 Miscellaneous Equipment	-	-					-
38	348 Other Tangible Plant	-	-					-
39	Rounding	2	-					2
40	TOTALS	\$ 11,992,014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,992,014
41								
42	Plant-in-Service per Books							\$ 11,992,014
43								
44	Increase (decrease) in Plant-in-Service							\$ -
45								
46	Adjustment to Plant-in-Service							\$ -
47								
48	SUPPORTING SCHEDULES							
49	B-2, pages 3.1							
50								

Farmers Water Co.
Test Year Ended September 30, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 -A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.	Acct.	Description	Adjusted Original Cost	B-2 Adjustments	Rebuttal Adjusted Original Cost	Plant Per Reconstruction	Difference
1							
2							
3							
4							
5							
6	301	Organization Cost	6,893	-	6,893	6,893	-
7	302	Franchise Cost	-	-	-	-	-
8	303	Land and Land Rights	-	-	-	-	-
9	304	Structures and Improvements	173,667	-	173,667	173,667	-
10	305	Collecting and Impounding Res.	-	-	-	-	-
11	306	Lake River and Other Intakes	-	-	-	-	-
12	307	Wells and Springs	695,019	-	695,019	695,019	-
13	308	Infiltration Galleries and Tunnels	-	-	-	-	-
14	309	Supply Mains	-	-	-	-	-
15	310	Power Generation Equipment	-	-	-	-	-
16	311	Electric Pumping Equipment	578,087	-	578,087	578,087	-
17	320	Water Treatment Equipment	-	-	-	-	-
18	320.1	Water Treatment Plant	-	-	-	-	-
19	320.2	Chemical Solution Feeders	1,060	-	1,060	1,060	-
20	330	Dist. Reservoirs & Standpipe	-	-	-	-	-
21	330.1	Storage tanks	892,565	-	892,565	892,565	-
22	330.2	Pressure Tanks	51,164	-	51,164	51,164	-
23	331	Trans. and Dist. Mains	7,563,919	-	7,563,919	7,563,919	-
24	333	Services	912,023	-	912,023	912,023	-
25	334	Meters	639,567	-	639,567	639,567	-
26	335	Hydrants	318,441	-	318,441	318,441	-
27	336	Backflow Prevention Devices	-	-	-	-	-
28	339	Other Plant and Misc. Equip.	-	-	-	-	-
29	340	Office Furniture and Fixtures	1,170	-	1,170	1,170	-
30	340.1	Computers and Software	108,718	-	108,718	108,718	-
31	341	Transportation Equipment	49,719	-	49,719	49,719	-
32	342	Stores Equipment	-	-	-	-	-
33	343	Tools and Work Equipment	-	-	-	-	-
34	344	Laboratory Equipment	-	-	-	-	-
35	345	Power Operated Equipment	-	-	-	-	-
36	346	Communications Equipment	-	-	-	-	-
37	347	Miscellaneous Equipment	-	-	-	-	-
38	348	Other Tangible Plant	-	-	-	-	-
39		Rounding	-	-	-	-	-
40		TOTALS	\$ 11,992,012	\$ -	\$ 11,992,012	\$ 11,992,012	\$ -

SUPPORTING SCHEDULE

B-2, pages 3.2 - 3.6

Farmers Water Co.
Test Year Ended September 30, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.			A	B	Adjustments C	D	E	Rebuttal
	Acct.	Adjusted Accum. Depr.	Adjustments To Reconcile Plant To Reconstruction	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Adjusted Accum. Depr.
1								
2								
3								
4	301	Organization Cost	-	-	-	-	-	-
5	302	Franchise Cost	-	-	-	-	-	-
6	303	Land and Land Rights	-	-	-	-	-	-
7	304	Structures and Improvements	15,823	-	-	-	-	15,823
8	305	Collecting and Impounding Res.	-	-	-	-	-	-
9	306	Lake River and Other Intakes	-	-	-	-	-	-
10	307	Wells and Springs	439,315	-	-	-	-	439,315
11	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-
12	309	Supply Mains	-	-	-	-	-	-
13	310	Power Generation Equipment	-	-	-	-	-	-
14	311	Electric Pumping Equipment	317,355	-	-	-	-	317,355
15	320	Water Treatment Equipment	-	-	-	-	-	-
16	320.1	Water Treatment Plant	-	-	-	-	-	-
17	320.2	Chemical Solution Feeders	1,060	-	-	-	-	1,060
18	330	Dist. Reservoirs & Standpipe	-	-	-	-	-	-
19	330.1	Storage tanks	246,911	-	-	-	-	246,911
20	330.2	Pressure Tanks	3,837	-	-	-	-	3,837
21	331	Trans. and Dist. Mains	1,535,306	-	-	-	-	1,535,306
22	333	Services	312,154	-	-	-	-	312,154
23	334	Meters	154,987	-	-	-	-	154,987
24	335	Hydrants	89,610	-	-	-	-	89,610
25	336	Backflow Prevention Devices	-	-	-	-	-	-
26	339	Other Plant and Misc. Equip.	-	-	-	-	-	-
27	340	Office Furniture and Fixtures	39	-	-	-	-	39
28	340.1	Computers and Software	90,557	-	-	-	-	90,557
29	341	Transportation Equipment	39,226	-	-	-	-	39,226
30	342	Stores Equipment	-	-	-	-	-	-
31	343	Tools and Work Equipment	-	-	-	-	-	-
32	344	Laboratory Equipment	-	-	-	-	-	-
33	345	Power Operated Equipment	-	-	-	-	-	-
34	346	Communications Equipment	-	-	-	-	-	-
35	347	Miscellaneous Equipment	-	-	-	-	-	-
36	348	Other Tangible Plant	-	-	-	-	-	-
37		Rounding	-	-	-	-	-	-
38		TOTALS	\$ 3,246,181	\$ -	\$ -	\$ -	\$ -	\$ 3,246,181
39								
40								
41		Accumulated Depreciation per Books						\$ 3,246,181
42								
43		Increase (decrease) in Accumulated Depreciation						\$ -
44								
45		Adjustment to Accumulated Depreciation						\$ -
46								
47		<u>SUPPORTING SCHEDULES</u>						
48		B-2, pages 4.1						
49								
50								

Farmers Water Co.
Test Year Ended September 30, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 -A

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line	Acct.	No.	Description	Adjusted Accumulated Depreciation	B-2 Adjustments	Rebuttal Adjusted Accumulated Depreciation	Accumulated Depreciation Per Plant Reconstruction	Difference
1								
2								
3								
4	Acct.							
5		No.	Description	Depreciation	Adjustments	Depreciation	Reconstruction	Difference
6		301	Organization Cost	-	-	-	-	-
7		302	Franchise Cost	-	-	-	-	-
8		303	Land and Land Rights	-	-	-	-	-
9		304	Structures and Improvements	15,823	-	15,823	15,823	-
10		305	Collecting and Impounding Res.	-	-	-	-	-
11		306	Lake River and Other Intakes	-	-	-	-	-
12		307	Wells and Springs	439,315	-	439,315	439,315	-
13		308	Infiltration Galleries and Tunnels	-	-	-	-	-
14		309	Supply Mains	-	-	-	-	-
15		310	Power Generation Equipment	-	-	-	-	-
16		311	Electric Pumping Equipment	317,355	-	317,355	317,355	-
17		320	Water Treatment Equipment	-	-	-	-	-
18		320.1	Water Treatment Plant	-	-	-	-	-
19		320.2	Chemical Solution Feeders	1,060	-	1,060	1,060	-
20		330	Dist. Reservoirs & Standpipe	-	-	-	-	-
21		330.1	Storage tanks	246,911	-	246,911	246,911	-
22		330.2	Pressure Tanks	3,837	-	3,837	3,837	-
23		331	Trans. and Dist. Mains	1,535,306	-	1,535,306	1,535,306	-
24		333	Services	312,154	-	312,154	312,154	-
25		334	Meters	154,987	-	154,987	154,987	-
26		335	Hydrants	89,610	-	89,610	89,610	-
27		336	Backflow Prevention Devices	-	-	-	-	-
28		339	Other Plant and Misc. Equip.	-	-	-	-	-
29		340	Office Furniture and Fixtures	39	-	39	39	-
30		340.1	Computers and Software	90,557	-	90,557	90,557	-
31		341	Transportation Equipment	39,226	-	39,226	39,226	-
32		342	Stores Equipment	-	-	-	-	-
33		343	Tools and Work Equipment	-	-	-	-	-
34		344	Laboratory Equipment	-	-	-	-	-
35		345	Power Operated Equipment	-	-	-	-	-
36		346	Communications Equipment	-	-	-	-	-
37		347	Miscellaneous Equipment	-	-	-	-	-
38		348	Other Tangible Plant	-	-	-	-	-
39			Rounding	-	-	-	-	-
40			TOTALS	\$ 3,246,181	\$ -	\$ 3,246,181	\$ 3,246,181	\$ -

SUPPORTING SCHEDULE

B-2, pages 3.2 - 3.6

Farmers Water Co.
Test Year Ended September 30, 2012
Computation of Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

Line
No.

1	Cash Working Capital (1/8 of Allowance	
2	Operation and Maintenance Expense)	\$ 63,135
3	Pumping Power (1/24 of Pumping Power)	3,370
4	Purchased Water (1/24 of Purchased Water)	-
5	Prepaid Expenses	(2,095)
6		
7		
8		
9	Total Working Capital Allowance	<u>\$ 64,410</u>
10		
11		
12	Working Capital Requested	<u>\$ -</u>
13		
14		
15		
16		
17		<u>Adjusted Test Year</u>
18	Total Operating Expense	\$ 867,666
19	Less:	
20	Income Tax	\$ (5,870)
21	Property Tax	31,677
22	Depreciation	255,898
23	Purchased Water	-
24	Pumping Power	80,882
25	Allowable Expenses	<u>\$ 505,080</u>
26	1/8 of allowable expenses	<u>\$ 63,135</u>

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SUPPORTING SCHEDULES:
E-1

RECAP SCHEDULES:
B-1

Farmers Water Co.
Test Year Ended September 30, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 810,840	\$ -	\$ 810,840	\$ 162,435	\$ 973,276
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	9,975	5,114	15,089	-	15,089
5		<u>\$ 820,815</u>	<u>\$ 5,114</u>	<u>\$ 825,929</u>	<u>\$ 162,435</u>	<u>\$ 988,365</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 255,887	642	\$ 256,529	-	\$ 256,529
8	Purchased Water	-	-	-	-	-
9	Purchased Power	80,882	-	80,882	-	80,882
10	Fuel For Power Production	-	-	-	-	-
11	Chemicals	-	-	-	-	-
12	Repairs and Maintenance	8,836	-	8,836	-	8,836
13	Office Supplies and Expense	8,007	-	8,007	-	8,007
14	Outside Services	83,317	-	83,317	-	83,317
15	Water Testing	5,432	6,070	11,502	-	11,502
16	Rents	-	-	-	-	-
17	Transportation Expenses	28,707	(5,991)	22,716	-	22,716
18	Insurance - General Liability	5,848	-	5,848	-	5,848
19	Insurance - Health and Life	30,261	-	30,261	-	30,261
20	Reg. Comm. Exp. - Other	-	-	-	-	-
21	Reg. Comm. Exp. - Rate Case	12,500	-	12,500	-	12,500
22	Miscellaneous Expense	61,385	(15,316)	46,069	-	46,069
23	Bad Debt Expense	-	-	-	-	-
24	Depreciation and Amortization Expense	255,898	(0)	255,898	-	255,898
25	Taxes Other Than Income	19,495	-	19,495	-	19,495
26	Property Taxes	33,136	(1,459)	31,677	2,090	33,767
27	Income Tax	(8,481)	2,611	(5,870)	19,772	13,902
28	Total Operating Expenses	<u>\$ 881,110</u>	<u>\$ (13,444)</u>	<u>\$ 867,666</u>	<u>\$ 21,862</u>	<u>\$ 889,528</u>
29	Operating Income	<u>\$ (60,295)</u>	<u>\$ 18,558</u>	<u>\$ (41,737)</u>	<u>\$ 140,573</u>	<u>\$ 98,836</u>
30	Other Income (Expense)					
31	Interest Income	-	-	-	-	-
32	Other income	8,689	(5,114)	3,575	-	3,575
33	Interest Expense	-	-	-	-	-
34	Other Expense	-	-	-	-	-
35		-	-	-	-	-
36	Total Other Income (Expense)	<u>\$ 8,689</u>	<u>\$ (5,114)</u>	<u>\$ 3,575</u>	<u>\$ -</u>	<u>\$ 3,575</u>
37	Net Profit (Loss)	<u>\$ (51,606)</u>	<u>\$ 13,444</u>	<u>\$ (38,162)</u>	<u>\$ 140,573</u>	<u>\$ 102,411</u>

SUPPORTING SCHEDULES:

C-1, page 2.1 and 2.2

E-2

RECAP SCHEDULES:

A-1

Farmers Water Co.
Test Year Ended September 30, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

Line No.	LABEL>>>>>	1	2	3	4	5	6
	Test Year Adjusted Results	Depreciation	Property Taxes	Other Water Revenues	Misc. Expense	Water Testing	Transportation Expense
1	Revenues						
2	Metered Water Revenues	\$ 810,840					
3	Unmetered Water Revenues	-					
4	Other Water Revenues	9,975		5,114			
5		\$ 820,815	\$ -	\$ -	\$ 5,114	\$ -	\$ -
6	Operating Expenses						
7	Salaries and Wages	\$ 255,887					
8	Purchased Water	-					
9	Purchased Power	80,882					
10	Fuel For Power Production	-					
11	Chemicals	-					
12	Repairs and Maintenance	8,836					
13	Office Supplies and Expense	8,007					
14	Outside Services	83,317					
15	Water Testing	5,432			7,687	(1,617)	
16	Rents	-					
17	Transportation Expenses	28,707					(5,991)
18	Insurance - General Liability	5,848					
19	Insurance - Health and Life	30,261					
20	Reg. Comm. Exp. - Other	-					
21	Reg. Comm. Exp. - Rate Case	12,500					
22	Miscellaneous Expense	61,385			(8,311)		
23	Bad Debt Expense	-					
24	Deprec. and Amort. Exp.	255,898	(0)				
25	Taxes Other Than Income	19,495					
26	Property Taxes	33,136	(1,459)				
27	Income Tax	(8,481)					
28	Total Operating Expenses	\$ 881,110	\$ (0)	\$ (1,459)	\$ -	\$ (624)	\$ (1,617)
29	Operating Income	\$ (60,295)	\$ 0	\$ 1,459	\$ 5,114	\$ 624	\$ 1,617
30	Other Income (Expense)						
31	Interest Income	-					
32	Other income	8,689		(5,114)			
33	Interest Expense	-					
34	Other Expense	-					
35		-					
36	Total Other Income (Expense)	\$ 8,689	\$ -	\$ (5,114)	\$ -	\$ -	\$ -
37	Net Profit (Loss)	\$ (51,606)	\$ 0	\$ 1,459	\$ -	\$ 624	\$ 1,617

SUPPORTING SCHEDULES:
C-2

Farmers Water Co.
Test Year Ended September 30, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

Line No.	7	8	9	10	11	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
	Banking Fees	Salaries & Wages	Income Taxes	Intentionally Left Blank	Intentionally Left Blank			
1	Revenues							
2						\$ 810,840	\$ 162,435	\$ 973,276
3						-		-
4						15,089		15,089
5						\$ 825,929	\$ 162,435	\$ 988,365
6	Operating Expenses							
7		642				\$ 256,529		\$ 256,529
8						-		-
9						80,882		80,882
10						-		-
11						-		-
12						8,836		8,836
13						8,007		8,007
14						83,317		83,317
15						11,502		11,502
16						-		-
17						22,716		22,716
18						5,848		5,848
19						30,261		30,261
20						-		-
21						12,500		12,500
22						46,069		46,069
23						-		-
24						255,898		255,898
25						19,495		19,495
26						31,677	2,090	33,767
27						(5,870)	19,772	13,902
28						\$ 867,666	\$ 21,862	\$ 889,528
29						\$ (41,737)	\$ 140,573	\$ 98,836
30	Other Income (Expense)							
31						-		-
32						3,575		3,575
33						-		-
34						-		-
35						-		-
36						\$ 3,575	\$ -	\$ 3,575
37						\$ (38,162)	\$ 140,573	\$ 102,411

SUPPORTING SCHEDULES:
C-2

RECAP SCHEDULES:
C-1, page 1

Farmers Water Co.
Test Year Ended September 30, 2012
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	
	<u>Depreciation</u>	<u>Property Taxes</u>	<u>Other Water Revenues</u>	<u>Misc. Expense</u>	<u>Water Testing</u>	<u>Transportation Expense</u>	<u>Subtotal</u>
1							
2							
3							
4			5,114				5,114
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
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21							
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31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

Revenues			5,114				5,114
Expenses	(0)	(1,459)		(624)	(1,617)	(5,991)	(9,692)
Operating Income	0	1,459	5,114	624	1,617	5,991	14,806
Interest Expense						-	-
Other Income / Expense			(5,114)				(5,114)
Net Income	0	1,459	-	624	1,617	5,991	9,692

	<u>Adjustments to Revenues and Expenses</u>						
	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	
	<u>Banking Fees</u>	<u>Salaries & Wages</u>	<u>Income Taxes</u>	<u>Intentionally Left Blank</u>	<u>Intentionally Left Blank</u>		<u>Subtotal</u>
1							
2							
3							
4							
5							
6							
7							
8							
9							
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36							
37							
38							
39							
40							

Revenues							5,114
Expenses	(7,005)	642	2,611				(13,444)
Operating Income	7,005	(642)	(2,611)	-	-	-	18,558
Interest Expense							-
Other Income / Expense							(5,114)
Net Income	7,005	(642)	(2,611)	-	-	-	13,444

Farmers Water Co.
Test Year Ended September 30, 2012
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line
No.

Acct.	No.	Description	Original Cost	Non-depreciable/ Fully Depreciated	Adjusted Original Cost	Proposed Rates	Depreciation Expense
	301	Organization Cost	6,893	(6,893)	-	0.00%	-
	302	Franchise Cost	-	-	-	0.00%	-
	303	Land and Land Rights	-	-	-	0.00%	-
	304	Structures and Improvements	173,667	-	173,667	3.33%	5,783
	305	Collecting and Impounding Res.	-	-	-	2.50%	-
	306	Lake River and Other Intakes	-	-	-	2.50%	-
	307	Wells and Springs	695,019	-	695,019	3.33%	23,144
	308	Infiltration Galleries and Tunnels	-	-	-	6.67%	-
	309	Supply Mains	-	-	-	2.00%	-
	310	Power Generation Equipment	-	-	-	5.00%	-
	311	Electric Pumping Equipment	578,087	(257,348)	320,739	12.50%	40,092
	320	Water Treatment Equipment	-	-	-	3.33%	-
	320.1	Water Treatment Plant	-	-	-	3.33%	-
	320.2	Chemical Solution Feeders	1,060	(1,060)	-	20.00%	-
	330	Dist. Reservoirs & Standpipe	-	-	-	2.22%	-
	330.1	Storage tanks	892,565	-	892,565	2.22%	19,815
	330.2	Pressure Tanks	51,164	-	51,164	5.00%	2,558
	331	Trans. and Dist. Mains	7,563,919	-	7,563,919	2.00%	151,278
	333	Services	912,023	-	912,023	3.33%	30,370
	334	Meters	639,567	(12,487)	627,080	8.33%	52,236
	335	Hydrants	318,441	-	318,441	2.00%	6,369
	336	Backflow Prevention Devices	-	-	-	6.67%	-
	339	Other Plant and Misc. Equip.	-	-	-	6.67%	-
	340	Office Furniture and Fixtures	1,170	-	1,170	6.67%	78
	340.1	Computers and Software	108,718	(51,836)	56,881	20.00%	11,376
	341	Transportation Equipment	49,719	(38,060)	11,659	20.00%	2,332
	342	Stores Equipment	-	-	-	4.00%	-
	343	Tools and Work Equipment	-	-	-	5.00%	-
	344	Laboratory Equipment	-	-	-	10.00%	-
	345	Power Operated Equipment	-	-	-	5.00%	-
	346	Communications Equipment	-	-	-	10.00%	-
	347	Miscellaneous Equipment	-	-	-	10.00%	-
	348	Other Tangible Plant	-	-	-	10.00%	-
		TOTALS	\$ 11,992,012	\$ (367,684)	\$ 11,624,328		\$ 345,432
					<u>Gross CIAC</u>	<u>Amort. Rate</u>	
		Less: Amortization of Contributions			\$ 3,012,974	2.9716%	\$ (89,534)
		Total Depreciation Expense					\$ 255,898
		Adjusted Test Year Depreciation Expense					255,898
		Increase (decrease) in Depreciation Expense					(0)
		Adjustment to Revenues and/or Expenses					\$ (0)
		<u>SUPPORTING SCHEDULE</u>					
		B-2, page 3					
		Workpapers					

Farmers Water Co.
Test Year Ended September 30, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 825,929	\$ 825,929
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	1,651,858	1,651,858
4	Company Recommended Revenue	825,929	988,365
5	Subtotal (Line 4 + Line 5)	2,477,788	2,640,223
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	825,929	880,074
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	1,651,858	1,760,149
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	10,493	10,493
12	Full Cash Value (Line 9 + Line 10 - Line 11)	1,641,366	1,749,656
13	Assessment Ratio	19.0%	19.0%
14	Assessment Value (Line 12 * Line 13)	311,859	332,435
15	Composite Property Tax Rate - Obtained from ADOR	10.1574%	10.1574%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 31,677	\$ 33,767
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	\$ 31,677	
19	Adjusted Test Year Property Taxes	\$ 33,136	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ (1,459)	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 33,767
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 31,677
24	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 2,090
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 2,090
27	Increase in Revenue Requirement		\$ 162,435
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.28660%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Farmers Water Co.
Test Year Ended September 30, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Other Operating Revenues

Line
No.

1
2
3 Reclass revenues from Non-Utility income to Other Revenues \$ 5,114
4
5
6
7
8
9

10
11 Increase(decrease) in Other Revenues \$ 5,114

12
13 Adjustment to Revenue and/or Expense \$ 5,114
14

15
16 Reference
17 Staff Adj. No. 1
18
19
20

Farmers Water Co.
Test Year Ended September 30, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
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Miscellaneous Fees

Line
No.

1	<u>Water Testing Expense</u>		
2	Reclass MAP fees to Water Testing	\$	7,687
3			
4		<u>\$</u>	<u>7,687</u> Adjustment 7a
5	Miscellaneous Expense		
6	Reclass MAP fees to Water Testing	\$	(7,687)
7	Remove meals&entertainment expenses	\$	(624)
8	Adjustment to Taxes Other Than Income	<u>\$</u>	<u>(8,311)</u> Adjustment 7b
9			
10			
11			
12			
13	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>(624)</u>
14			
15			
16	<u>Reference</u>		
17	Staff Adj. # 6		
18			
19			
20			

Farmers Water Co.
Test Year Ended September 30, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

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Water Testing Expense

Line
No.

1			
2			
3			
4	Water Testing Expense per Staff	\$	11,502
5			
6	Test Year Adjusted Water Testing Expense	5,432	
7			
8	Relcassify MAP Testing Expense from Misc. Expense	\$	7,687
9		\$	13,119
10	Increase(decrease) in Water Testing Expense	\$	(1,617)
11			
12			
13	Adjustment to Revenue and/or Expense	\$	(1,617)
14			
15	<u>Reference</u>		
16	Stafff Adj. No. 3		
17			
18			
19			
20			
21			
22			

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Line
No.

1			
2	Transportation Expense per Staff	\$	22,716
3			
4	Test Year Adjusted Transportation Expense		28,707
5			
6	Increase(decrease) in Transportation Expense	<u>\$</u>	<u>(5,991)</u>
7			
8			
9	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>(5,991)</u>
10			
11	<u>Reference</u>		
12	Staff Adj. No. 4		
13			
14			
15			
16			
17			
18			
19			
20			

Farmers Water Co.
Test Year Ended September 30, 2012
Adjustment to Revenues and Expenses
Adjustment Number 7

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Witness: Bourassa

Miscellaneous Expense - Banking Fees

Line

No.

1			
2	Banking Fees - Web Based per Company	\$ 5,111	
3	Banking Fees - Non-Web Based per Staff	<u>10,766</u>	
4		\$	15,877
5	Adjusted Test Year Banking Fees Web Based		
6	Adjusted Test Year Banking Fees Non-Web Based	\$ 18,208	
7	Additional purchased power cost	<u>4,674</u>	
8		\$	<u>22,882</u>
9			
10	Adjustment to purchased power expense (rounded)	\$	<u>(7,005)</u>
11			
12			
13	Adjustment to Revenue and/or Expense		<u>(7,005)</u>
14			
15	<u>Reference</u>		
16	Testimony		
17			
18			
19			
20			

Farmers Water Co.
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

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Salaries and Wages

Line
No.

1		
2	Annualized 2013 Salries and Wages	\$ 256,529
3		
4	Adjusted Test Year Salries and Wages	<u>\$ 255,887</u>
5		
6		
7	Adjustment to purchased power expense (rounded)	<u>642</u>
8		
9		
10	Adjustment to Revenue and/or Expense	<u>\$ 642</u>
11		
12		
13		
14		
15		
16		
17	<u>Reference</u>	
18	Testimony	
19	Response to CSB 2.13b	
20		
21		
22		

Farmers Water Co.
Test Year Ended September 30, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 9

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Line
No.

1 Income Taxes

2

3

4 Computed Income Tax

5 Test Year Income tax Expense

6 Adjustment to Income Tax Expense

7

8

9

10

11

12

13 SUPPORTING SCHEDULE

14 C-3, page 2

15

16

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30

	Test Year at Present Rates
\$	(5,870)
	-
\$	(5,870)

	Test Year at Proposed Rates
\$	13,902
	(5,870)
\$	19,772

Farmers Water Co.
Test Year Ended September 30, 2012
Computation of Gross Revenue Conversion Factor

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Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	12.331%
2		
3	Property Taxes	1.128%
4		
5		
6	Total Tax Percentage	13.459%
7		
8	Operating Income % = 100% - Tax Percentage	86.541%
9		
10		
11		
12		
13	$\frac{1}{\text{Operating Income \%}}$ = Gross Revenue Conversion Factor	
14		1.1555
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		

Farmers Water Co.
Test Year Ended September 30, 2012

Exhibit
Rebuttal Schedule C-3
Page 2
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GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	13.4590%					
5	Subtotal (L3 - L4)	86.5410%					
6	Revenue Conversion Factor (L1 / L5)	1.155521					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	12.3310%					
9	One Minus Combined Income Tax Rate (L7 - L8)	87.6690%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	2.5900%					
14	Federal Taxable Income (L12 - L13)	97.4100%					
15	Applicable Federal Income Tax Rate (L55 Col F)	10.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	9.7410%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		12.3310%				
<u>Calculation of Effective Property Tax Factor:</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	12.3310%					
20	One Minus Combined Income Tax Rate (L18-L19)	87.6690%					
21	Property Tax Factor	1.2866%					
22	Effective Property Tax Factor (L20*L21)		1.1280%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			13.4590%			

24	Required Operating Income	\$ 98,836					
25	Adjusted Test Year Operating Income (Loss)	\$ (41,737)					
26	Required Increase in Operating Income (L24 - L25)		\$ 140,573				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 13,902					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ (5,870)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 19,772				
30	Recommended Revenue Requirement	\$ 988,365					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 33,767					
36	Property Tax on Test Year Revenue	\$ 31,677					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 2,090				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 162,435				

	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Income Tax:</u>						
39	Revenue	\$ 825,929	\$ 825,929	Total	\$ 988,365	\$ 988,365
40	Operating Expenses Excluding Income Taxes	873,536	873,536		875,626	875,626
41	Synchronized Interest (L47)	-	-		-	-
42	Arizona Taxable Income (L39 - L40 - L41)	\$ (47,607)	\$ (47,607)		\$ 112,738	\$ 112,738
43	Arizona State Effective Income Tax Rate (see work papers)	2.5900%	2.5900%		2.5900%	2.5900%
44	Arizona Income Tax (L42 x L43)	\$ (1,233)	\$ (1,233)		\$ 2,920	\$ 2,920
45	Federal Taxable Income (L42-L44)	\$ (46,374)	\$ (46,374)		\$ 109,818	\$ 109,818
46	Federal Tax Rate (see work papers)	10.0000%	10.0000%		10.0000%	10.0000%
47	Federal Tax	\$ (4,637)	\$ (4,637)		\$ 10,982	\$ 10,982
48						
49						
50						
51						
52						
53	Total Federal Income Tax	\$ (4,637)	\$ (4,637)		\$ 10,982	\$ 10,982
54	Combined Federal and State Income Tax (L35 + L42)	\$ (5,870)	\$ (5,870)		\$ 13,902	\$ 13,902
55	COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53] / [Col. (D), L45 - Col. (A), L45]				10.0000%	
56	WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45]					0.0000%
57	WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45]					10.0000%

Calculation of Interest Synchronization:

58	Rate Base	\$ -	\$ (15,141)
59	Weighted Average Cost of Debt	0.0000%	0.0000%
60	Synchronized Interest (L59 X L60)	\$ -	\$ -

Farmers Water Co.
Revenue Summary
Test Year Ended September 30, 2012

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	\$ 475,171	\$ 521,870	\$ 46,700	9.83%	57.53%	52.80%
2	1 Inch	Residential	80,520	120,276	39,756	49.37%	9.75%	12.17%
3								
4	1 1/2 Inch	Multi-Family	6,270	8,459	2,190	34.92%	0.76%	0.86%
5	2 Inch	Multi-Family	27,394	37,147	9,753	35.60%	3.32%	3.76%
6	3 Inch	Multi-Family	5,450	9,428	3,978	73.00%	0.66%	0.95%
7	4 Inch	Multi-Family	11,907	14,571	2,664	22.37%	1.44%	1.47%
8	6 Inch	Multi-Family	7,431	10,792	3,361	45.23%	0.90%	1.09%
9								
10	5/8x3/4 Inch	Commercial	\$ 2,679	\$ 2,944	\$ 265	9.89%	0.32%	0.30%
11	1 Inch	Commercial	5,592	7,486	1,894	33.88%	0.68%	0.76%
12	1 1/2 Inch	Commercial	3,775	5,745	1,970	52.20%	0.46%	0.58%
13	2 Inch	Commercial	26,353	38,680	12,327	46.78%	3.19%	3.91%
14	3 Inch	Commercial	4,452	5,799	1,347	30.25%	0.54%	0.59%
15								
16	5/8x3/4 Inch	Industrial	971	1,067	96	9.90%	0.12%	0.11%
17	1 Inch	Industrial	4,086	5,040	954	23.35%	0.49%	0.51%
18	2 Inch	Industrial	66,212	75,130	8,918	13.47%	8.02%	7.60%
19								
20	5/8x3/4 Inch	Irrigation	\$ 5,300	\$ 6,069	\$ 769	14.51%	0.64%	0.61%
21	1 Inch	Irrigation	16,922	24,598	7,676	45.36%	2.05%	2.49%
22	1 1/2 Inch	Irrigation	3,473	5,424	1,951	56.16%	0.42%	0.55%
23	2 Inch	Irrigation	50,327	64,426	14,098	28.01%	6.09%	6.52%
24								
25	2 Inch	Standpipe	\$ 388	\$ 436	\$ 48	12.24%	0.05%	0.04%
26	6 Inch	Standpipe	4,340	4,872	531	12.24%	0.53%	0.49%
27								
28	Subtotals of Revenues		\$ 809,012	\$ 970,258	\$ 161,246	19.93%	97.95%	98.17%
29								
30	Revenue Annualizations:							
31	5/8x3/4 Inch	Residential	\$ (1,231)	\$ (1,363)	\$ (132)	10.73%	-0.15%	-0.14%
32	1 Inch	Residential	1,522	2,311	789	51.87%	0.18%	0.23%
33								
34	1 1/2 Inch	Multi-Family	359	483	124	34.66%	0.04%	0.05%
35	2 Inch	Multi-Family	-	-	-	0.00%	0.00%	0.00%
36	3 Inch	Multi-Family	-	-	-	0.00%	0.00%	0.00%
37	4 Inch	Multi-Family	-	-	-	0.00%	0.00%	0.00%
38	6 Inch	Multi-Family	-	-	-	0.00%	0.00%	0.00%
39								
40	5/8x3/4 Inch	Commercial	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
41	1 Inch	Commercial	863	1,160	297	34.38%	0.10%	0.12%
42	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
43	2 Inch	Commercial	819	1,216	397	48.49%	0.10%	0.12%
44	3 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
45								
46	5/8x3/4 Inch	Industrial	-	-	-	0.00%	0.00%	0.00%
47	1 Inch	Industrial	(516)	(650)	(134)	25.89%	-0.06%	-0.07%
48	2 Inch	Industrial	-	-	-	0.00%	0.00%	0.00%
49								
50	5/8x3/4 Inch	Irrigation	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
51	1 Inch	Irrigation	24	37	13	56.17%	0.00%	0.00%
52	1 1/2 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
53	2 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
54								
55								
56								
57	Subtotal Revenue Annualization		\$ 1,840	\$ 3,196	\$ 1,355	73.66%	0.22%	0.39%
58								
59	Total Revenues w/ Annualization		\$ 810,853	\$ 973,454	\$ 162,601	20.05%	98.17%	98.49%
60	Misc Revenues		15,089	15,089	-	0.00%	1.83%	1.53%
61	Reconciling Amount		(12)	(178)	(166)	1383.33%	0.00%	-0.02%
62	Total Revenues		\$ 825,930	\$ 988,365	\$ 162,435	19.67%	100.00%	100.00%
63								
64								

Farmers Water Co.
Analysis of Revenue by Detailed Class
Test Year Ended September 30, 2012

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	Average Number of Customers at 9/30/2012	Average Consumption	Average Bill		Proposed Increase		Percent of Customers
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount	
1	5/8x3/4 Inch Residential	2,301	5,336	\$ 16.19	\$ 17.91	\$ 1.72	10.63%	84.52%
2	1 Inch Residential	237	8,929	27.28	40.98	13.69	50.19%	8.71%
3								
4	1 1/2 Inch Multi-Family	6	32,664	86.92	117.68	30.76	35.39%	0.21%
5	2 Inch Multi-Family	16	50,655	135.12	183.86	48.74	36.07%	0.59%
6	3 Inch Multi-Family	4	24,876	113.30	196.11	82.81	73.09%	0.15%
7	4 Inch Multi-Family	1	391,157	992.22	1,214.23	222.01	22.37%	0.04%
8	6 Inch Multi-Family	1	216,227	617.21	896.76	279.55	45.29%	0.04%
9								
10	5/8x3/4 Inch Commercial	11	5,697	\$ 19.07	20.75	1.67	8.78%	0.40%
11	1 Inch Commercial	9	17,036	45.18	60.77	15.59	34.51%	0.35%
12	1 1/2 Inch Commercial	6	16,327	51.66	78.82	27.16	52.57%	0.22%
13	2 Inch Commercial	22	30,649	91.25	135.39	44.14	48.37%	0.82%
14	3 Inch Commercial	1	135,898	354.99	462.84	107.85	30.38%	0.04%
15								
16	5/8x3/4 Inch Industrial	5	3,750	15.38	16.76	1.38	8.99%	0.18%
17	1 Inch Industrial	4	36,029	91.72	113.01	21.29	23.21%	0.13%
18	2 Inch Industrial	2	1,117,283	2,748.36	3,117.09	368.73	13.42%	0.07%
19								
20	5/8x3/4 Inch Irrigation	25	4,625	\$ 14.84	\$ 18.55	\$ 3.71	25.03%	0.92%
21	1 Inch Irrigation	44	10,139	29.58	43.46	13.88	46.90%	1.61%
22	1 1/2 Inch Irrigation	6	13,973	47.19	73.99	26.81	56.81%	0.22%
23	2 Inch Irrigation	20	78,716	203.87	261.03	57.15	28.03%	0.73%
24								
25	2 Inch Standpipe	1	26,417	64.72	72.65	7.93	12.24%	0.02%
26	6 Inch Standpipe	1	147,625	361.68	405.97	44.29	12.24%	0.04%
27								
28								
29								
30	Totals	<u>2,722</u>						<u>100.00%</u>
31								
32	Actual Year End Number							
33	of Customers:	<u>2,725</u>						
34								
35								
36								
37								
38								
39								

Farmers Water Co.
Metered Revenue Breakdown Summary
Present Rates

Exhibit
Rebuttal Schedule H-2
Page 3
Witness: Bourassa

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	\$ 227,106	\$ 110,386	\$ 79,940	\$ 56,508	\$ 473,940
1 Inch	Residential	29,969	39,298	12,775	-	82,042
Subtotal		\$ 257,075	\$ 149,684	\$ 92,715	\$ 56,508	\$ 555,982
		31.70%	18.46%	11.43%	6.97%	68.57%
1 1/2 Inch	Multi-Family	\$ 1,486	\$ 2,178	\$ 2,964	\$ -	\$ 6,629
2 Inch	Multi-Family	6,340	9,583	11,471	-	27,394
3 Inch	Multi-Family	3,170	2,231	49	-	5,450
4 Inch	Multi-Family	1,238	2,873	7,796	-	11,907
6 Inch	Multi-Family	2,477	4,845	109	-	7,431
		\$ 14,711	\$ 21,710	\$ 22,390	\$ -	\$ 58,810
		1.81%	2.68%	2.76%	0.00%	7.25%
5/8x3/4 Inch	Commercial	\$ 1,089	\$ 872	\$ 718	\$ -	\$ 2,679
1 Inch	Commercial	1,362	1,456	3,636	-	6,455
1 1/2 Inch	Commercial	1,486	2,043	245	-	3,775
2 Inch	Commercial	9,114	9,201	8,857	-	27,172
3 Inch	Commercial	792	1,159	2,501	-	4,452
Subtotal		\$ 13,843	\$ 14,732	\$ 15,958	\$ -	\$ 44,533
		1.71%	1.82%	1.97%	0.00%	5.49%
5/8x3/4 Inch	Industrial	\$ 495	\$ 261	\$ 214	\$ -	\$ 971
1 Inch	Industrial	372	365	2,833	-	3,570
2 Inch	Industrial	792	957	64,463	-	66,212
		\$ 1,659	\$ 1,583	\$ 67,510	\$ -	\$ 70,752
		0.20%	0.20%	8.33%	0.00%	8.73%
5/8x3/4 Inch	Irrigation	\$ 2,475	\$ 508	\$ 556	\$ 1,762	\$ 5,300
1 Inch	Irrigation	5,449	5,569	5,929	-	16,946
1 1/2 Inch	Irrigation	1,486	1,650	337	-	3,473
2 Inch	Irrigation	7,925	13,411	28,991	-	50,327
Subtotal		\$ 17,335	\$ 21,138	\$ 35,813	\$ 1,762	\$ 76,047
		2.14%	2.61%	4.42%	0.22%	9.38%
2 Inch	Standpipe	\$ -	\$ 388	\$ -	\$ -	\$ 388
6 Inch	Standpipe	-	4,340	-	-	4,340
		\$ -	\$ 4,729	\$ -	\$ -	\$ 4,729
		0.00%	0.58%	0.00%	0.00%	0.58%
TOTALS		\$ 304,623	\$ 213,575	\$ 234,385	\$ 58,270	\$ 810,853
Percent of Total		37.57%	26.34%	28.91%	7.19%	100.00%
Cumulative %		37.57%	63.91%	92.81%	100.00%	

Farmers Water Co.
Metered Revenue Breakdown Summary
Company Proposed Rates

Exhibit
Rebuttal Schedule H-2
Page 4
Witness: Bourassa

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch Residential		\$ 249,679	\$ 89,626	\$ 117,775	\$ 63,428	\$ 520,507
1 Inch Residential		65,848	42,400	14,339	-	122,588
Subtotal		\$ 315,527	\$ 132,026	\$ 132,115	\$ 63,428	\$ 643,095
		32.41%	13.56%	13.57%	6.52%	66.06%
1 1/2 Inch Multi-Family		\$ 3,265	\$ 2,350	\$ 3,327	\$ -	\$ 8,943
2 Inch Multi-Family		13,932	10,339	12,876	-	37,147
3 Inch Multi-Family		6,966	2,407	55	-	9,428
4 Inch Multi-Family		2,721	3,100	8,750	-	14,571
6 Inch Multi-Family		5,442	5,228	122	-	10,792
Subtotal		\$ 32,325	\$ 23,424	\$ 25,131	\$ -	\$ 80,880
		3.32%	2.41%	2.58%	0.00%	8.31%
5/8x3/4 Inch Commercial		\$ 1,197	\$ 941	\$ 806	\$ -	\$ 2,944
1 Inch Commercial		2,993	1,571	4,082	-	8,646
1 1/2 Inch Commercial		3,265	2,205	275	-	5,745
2 Inch Commercial		20,027	9,927	9,942	-	39,896
3 Inch Commercial		1,741	1,251	2,807	-	5,799
Subtotal		\$ 29,224	\$ 15,895	\$ 17,912	\$ -	\$ 63,030
		3.00%	1.63%	1.84%	0.00%	6.47%
5/8x3/4 Inch Industrial		\$ 544	\$ 282	\$ 241	\$ -	\$ 1,067
1 Inch Industrial		816	394	3,180	-	4,390
2 Inch Industrial		1,741	1,032	72,356	-	75,130
Subtotal		\$ 3,102	\$ 1,708	\$ 75,777	\$ -	\$ 80,587
		0.32%	0.18%	7.78%	0.00%	8.28%
5/8x3/4 Inch Irrigation		\$ 2,721	\$ 1,371	\$ 1,977	\$ -	\$ 6,069
1 Inch Irrigation		11,972	6,008	6,655	-	24,635
1 1/2 Inch Irrigation		3,265	1,780	378	-	5,424
2 Inch Irrigation		17,414	14,470	32,541	-	64,426
Subtotal		\$ 35,373	\$ 23,629	\$ 41,551	\$ -	\$ 100,554
		3.63%	2.43%	4.27%	0.00%	10.33%
2 Inch Standpipe		-	436	-	-	436
6 Inch Standpipe		-	4,872	-	-	4,872
Subtotal		\$ -	\$ 5,308	\$ -	\$ -	\$ 5,308
		0.00%	0.55%	0.00%	0.00%	0.55%
TOTALS		\$ 415,551	\$ 201,990	\$ 292,485	\$ 63,428	\$ 973,454
Percent of Total		42.69%	20.75%	30.05%	6.52%	100.00%
Cummulative %		42.69%	63.44%	93.48%	100.00%	

Farmers Water Co.
Test Year Ended September 30, 2012
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	<u>Meter Size (All Classes):</u>				
2	5/8x3/4 Inch	\$ 8.25	\$ 9.07	\$ 0.82	9.94%
2	3/4 Inch	9.28	13.61	4.33	46.61%
3	1 Inch	10.32	22.68	12.36	119.72%
4	1 1/2 Inch	20.64	45.35	24.71	119.72%
5	2 Inch	33.02	72.56	39.54	119.75%
6	3 Inch	66.04	145.12	79.08	119.75%
7	4 Inch	103.19	226.75	123.56	119.74%
8	6 Inch	206.38	453.50	247.12	119.74%
9	2 Inch Construction/Standpipe (Assigned)	33.02	72.56	39.54	119.75%
10	3 Inch Construction/Standpipe (Assigned)	NT	145.12		
11	6 Inch Construction/Standpipe (Assigned)	206.38	453.50	247.12	119.74%
12					
13					
14	Gallons In Minimum (all classes)				
15					
16					
17	<u>Commodity Rates (per 1,000 gallons)</u>				
18					
19	5/8x3/4 Inch Residential				
20	1 gallons to 4,000 gallons	\$ 1.35			
21	4,001 gallons to 10,000 gallons	\$ 1.90			
22	over 10,000 gallons	\$ 2.45			
23	5/8x3/4 Inch Residential				
24	1 gallons to 3,000 gallons	\$ 1.35			
25	3,001 gallons to 10,000 gallons	\$ 2.05			
26	over 10,000 gallons	\$ 2.75			
27	5/8x3/4 Inch - Commercial, Industrial				
28	1 gallons to 10,000 gallons	\$ 1.90			
29	over 10,000 gallons	\$ 2.45			
30	5/8x3/4 Inch - Commercial, Industrial, Irrigation				
31	1 gallons to 10,000 gallons	\$ 2.05			
32	over 10,000 gallons	\$ 2.75			
33	3/4 Inch Meter - Residential				
34	1 gallons to 4,000 gallons	\$ 1.35			
35	4,001 gallons to 10,000 gallons	\$ 1.90			
36	over 10,000 gallons	\$ 2.45			
37					
38					
39					
40	3/4 Inch Meter - Commercial, Industrial, Irrigation				
41	1 gallons to 10,000 gallons	\$ 2.05			
42	over 10,000 gallons	\$ 2.75			
43	NT = No Tariff				
44	NT = No Tariff				

Farmers Water Co.
Test Year Ended September 30, 2012
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 2

Line No.			Present Rate	Proposed Rate
3	Commodity Rates (per 1,000 gallons)	Block		
4	1 Inch Meter (all classes, except construction/standpipe)	1 gallons to 12,500 gallons	\$ 1.90	\$ 2.05
5		over 12,500 gallons	\$ 2.45	\$ 2.75
7	1.5 Inch Meter (all classes, except construction/standpipe)	1 gallons to 25,000 gallons	\$ 1.90	\$ 2.05
8		over 25,000 gallons	\$ 2.45	\$ 2.75
10	2 Inch Meter (all classes, except construction/standpipe)	1 gallons to 40,000 gallons	\$ 1.90	\$ 2.05
11		over 40,000 gallons	\$ 2.45	\$ 2.75
13	3 Inch Meter (all classes, except construction/standpipe)	1 gallons to 80,000 gallons	\$ 1.90	\$ 2.05
14		over 80,000 gallons	\$ 2.45	\$ 2.75
16	4 Inch Meter (all classes, except construction/standpipe)	1 gallons to 126,000 gallons	\$ 1.90	\$ 2.05
17		over 126,000 gallons	\$ 2.45	\$ 2.75
19	6 Inch Meter (all classes, except construction/standpipe)	1 gallons to 250,000 gallons	\$ 1.90	\$ 2.05
20		over 250,000 gallons	\$ 2.45	\$ 2.75
22	2 Inch Construction or Standpipe (Individually Assigned Customer)	1 gallons to 40,000 gallons	\$ 1.90	\$ 2.05
23		over 40,000 gallons	\$ 2.45	\$ 2.75
25	2 Inch Construction or Standpipe (No Assigned Customer)	All gallons	\$ 2.45	\$ 2.75
27	3 Inch Construction or Standpipe (Individually Assigned Customer)	1 gallons to 80,000 gallons		\$ 2.05
28		over 80,000 gallons		\$ 2.75
30	3 Inch Construction or Standpipe (No Assigned Customer)	All gallons		\$ 2.75
32	6 Inch Construction or Standpipe (Individually Assigned Customer)	1 gallons to 250,000 gallons	\$ 1.90	\$ 2.05
33		over 250,000 gallons	\$ 2.45	\$ 2.75
35	6 Inch Construction or Standpipe (No Assigned Customer)	All gallons	\$ 2.45	\$ 2.75

Farmers Water Co.
Present and Proposed Rates
Test Year Ended September 30, 2012

Exhibit
 Rebuttal Schedule H-3
 Page 3
 Witness: Bourassa

Line
 No.

Meter and Service Line Charges

	Present Service Line Charge	Present Meter Install- ation Charge	Total Present Charge	Proposed Service Line Charge ¹	Proposed Meter Install- ation Charge ¹	Total Proposed Charge ¹
7 5/8 x 3/4 Inch	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
8 3/4 Inch	415.00	205.00	620.00	415.00	205.00	620.00
9 1 Inch	465.00	265.00	730.00	465.00	265.00	730.00
10 1 1/2 Inch	520.00	475.00	995.00	520.00	475.00	995.00
11 2 Inch Turbo	800.00	995.00	1,795.00	800.00	995.00	1,795.00
12 2 Inch, Compound	800.00	1,840.00	2,640.00	800.00	1,840.00	2,640.00
13 3 Inch Turbo	1,015.00	1,620.00	2,635.00	1,015.00	1,620.00	2,635.00
14 3 Inch, compound	1,135.00	2,495.00	3,630.00	1,135.00	2,495.00	3,630.00
15 4 Inch Turbo	1,430.00	2,570.00	4,000.00	1,430.00	2,570.00	4,000.00
16 4 Inch, compound	1,610.00	3,545.00	5,155.00	1,610.00	3,545.00	5,155.00
17 6 Inch Turbo	2,150.00	4,925.00	7,075.00	2,150.00	4,925.00	7,075.00
18 6 Inch, compound	2,270.00	6,820.00	9,090.00	2,270.00	6,820.00	9,090.00
19 8 Inch	Cost	Cost	Cost	Cost	Cost	Cost
20 10 Inch	Cost	Cost	Cost	Cost	Cost	Cost
21 12 Inch	Cost	Cost	Cost	Cost	Cost	Cost

¹ Based on ACC Staff Engineering Memo dated February 21, 2008

NT = No Tariff

Other Charges:

	Present	Proposed
29 Establishment	\$ 35.00	\$ 35.00
30 Reestablishment (After Hours)	\$ 50.00	Remove***
31 Reestablishment within 12 months	*	*
32 Reconnection (Delinquent)	\$ 40.00	\$ 40.00
33 Reconnection (Delinquent - After Hours)	\$ 55.00	Remove***
34 Meter Test (if correct)	\$ 25.00	\$ 25.00
35 Meter Re-read (if correct)	\$ 20.00	\$ 20.00
36 Deposit	**	**
37 Deposit Interest	6%**	6%**
38 NSF Check	\$ 20.00	\$ 20.00
39 Deferred Payment, per month	1.5% per month	1.5% per month
40 Late Payment Fee (per month)	1.5% per month	1.5% per month
41 After hours service charge (at customer request)	Cost	\$ 35.00
42 Meter Tampering Charge	Cost	Cost
43 Meter Box "Cut Lock" Charge	Cost	Cost

* Number of months off the system times the monthly minimum.

** Per Rule R14-2-403.B

*** See After Hours Service Charge

NT = No Tariff

FARMERS WATER CO.

Docket No. W-01654A-13-0267

Bourassa Testimony

Rebuttal Exhibit TJB-RB-RB1

**FARMERS WATER CO.
2013 RATE CASE
DOCKET NO. W-01654A-13-0267
RESPONSE TO STAFF'S SECOND SET OF DATA REQUESTS**

Response provided by: Mathew Bailey
Title: Executive Vice President
Company Name: Farmers Water Co.
Address: 1525 E. Sahuarita Road
Sahuarita, Arizona 85629

Company Response Number: CSB 2.16

- Q. \$22,881 Proforma Adjustment for Banking Fees for Web Based Transactions (Schedule C-2, P.11) – Please provide the following:
- a. A list of all test year (i.e. September 30, 2012) banking fees for web based transactions;
 - b. A list of all banking fees for web based transactions for the year ended September 30, 2013 when available.
 - c. A calculation showing how the August 2013 web bank fee was calculated along with supporting documentation;
 - d. A calculation showing how the \$22,881 in annualized banking fees for web based transactions was calculated along with supporting documentation.
- A.
- a. There are no banking fees for web based transactions in the test year as the testing mode for the website with web based transaction functionality was not launched until December of 2012 and was not fully available to customers until February 2013.
 - b. See the schedule contained in the file “CSB 2.16b.pdf” included on the enclosed CD.
 - c. See the schedule contained in the file “CSB 2.16c.pdf” included on the enclosed CD.
 - d. The website was officially up and available to customers as of February 2013. The cost of the website and the new payment options offered via the website were not within the test year charges as there was no website then. The fees for the use of the payment options from both the bank and the credit card services are expect to increase as more customers convert to the website. In order to more accurately

CSB 2.16b

Farmers Water Co
Schedule of Bank Fees
Fiscal Year 2013

		October	November	December	January	February	March	April	May	June	July	August	September	Total
Non - Web based fees														
Credit Card Fees from Merchant Account				1.92	2.05	4.11	16.40	32.38	32.29	28.92	69.68	59.32	81.86	328.93
FWC deposit account-web (Ebill) 494-4614908		-	-	-	325.50	345.80	330.45	356.90	363.85	360.10	361.60	401.95	411.10	3,257.25
Web Based Fees		-	-	1.92	327.55	349.91	346.85	389.28	396.14	389.02	431.28	461.27	492.96	3,586.18
FWC deposit account	494-4614908	328.98	647.52	663.68	746.41	579.91	690.35	766.54	1,197.45	1,183.96	895.17	475.67	511.86	8,687.50
PR	400-0033241	0.92	1.04	2.09	1.04	1.28	1.31	0.80	0.80	0.80	0.80	0.80	0.80	12.44
AP	412-2027816	10.48	9.40	9.30	7.36	10.72	9.78	9.54	9.90	9.90	9.54	7.26	7.16	110.29
Parent Consolidated Account	400-0033233	1,097.50	-	-	-	-	-	-	180.06	172.45	163.71	167.74	174.74	1,956.20
Non Web Based Fees		1437.87	657.95	675.07	754.8	591.9	701.44	776.87	1388.2	1367.1	1069.21	851.46	694.55	10766.43
Total Bank Fees		1,437.87	657.95	676.99	1,082.35	941.81	1,048.29	1,166.15	1,784.34	1,756.12	1,500.49	1,112.73	1,187.51	14,352.61

CSB 2.16b

Payroll

ACH's issued	8	8	15	8	8	12	8	8	8	8	8	8
Rate	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994
	0.7952	0.7952	1.491	0.7952	0.7952	1.1928	0.7952	0.7952	0.7952	0.7952	0.7952	0.7952
Checks issued	1	2	5	2	4	1	0	0	0	0	0	0
Rate	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
	0.12	0.24	0.6	0.24	0.48	0.12	0	0	0	0	0	0
Total	0.9152	1.0352	2.091	1.0352	1.2752	1.3128	0.7952	0.7952	0.7952	0.7952	0.7952	0.7952

AP

ACH's issued	74	74	73	74	74	73	73	73	73	73	73	72
Rate	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994	0.0994
	7.3556	7.3556	7.2562	7.3556	7.3556	7.2562	7.2562	7.2562	7.2562	7.2562	7.2562	7.1568
Checks issued	26	17	17	0	28	21	19	22	22	19	0	0
Rate	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
	3.12	2.04	2.04	0	3.36	2.52	2.28	2.64	2.64	2.28	0	0
	10.4756	9.3956	9.2962	7.3556	10.7156	9.7762	9.5362	9.8962	9.8962	9.5362	7.2562	7.1568

FARMERS WATER CO.

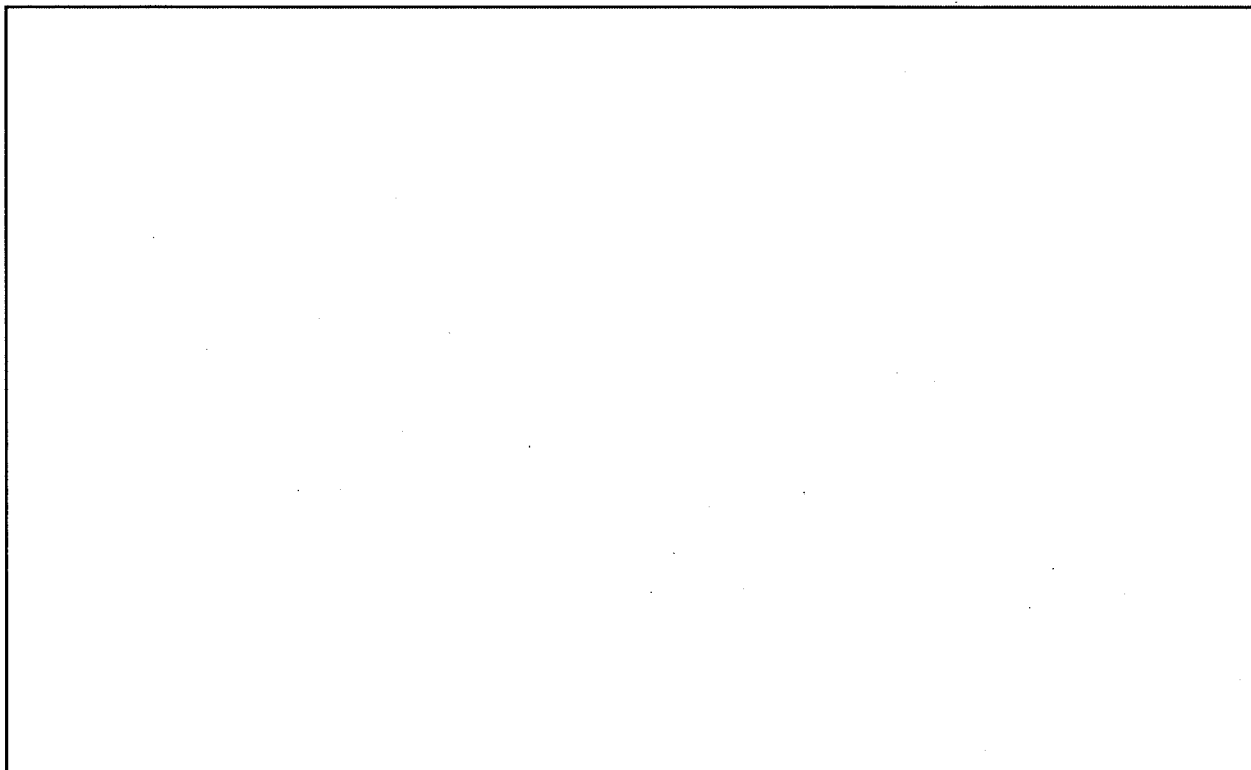
Docket No. W-01654A-13-0267

Bourassa Testimony

Rebuttal Exhibit TJB-RB-RB2

CSB 3.11 Web Fees – This is a follow-up to CSB 2.16. Please provide the total amount of web fees incurred as of 12/31.13. For any additional cost above the amount reported in response to CSB 2.16, please provide supporting documentation.

Response – Please see the attached schedule of Web fees as well as copies of the supporting documentation. (**Attachments CSB 3.11, CSB 3.11 Backup**)



Farmers Water Co
Schedule of Bank Web based Fees
Calendar Year 2013

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Credit Card Fees from Merchant Account		2.05	4.11	16.40	32.38	32.29	28.92	69.68	59.32	81.86	89.31	71.61	55.92	543.85
FWC deposit account -web (Ebill)	494-4614908	325.50	345.80	330.45	356.90	363.85	380.10	381.60	401.95	411.10	428.65	442.95	438.80	4,567.65
Web Based Fees		327.55	349.91	346.85	389.28	396.14	389.02	431.28	461.27	492.96	517.96	514.56	494.72	5,111.50
Type	Svc Code													
Bill Present	28358	Volume												
ACH	28360	39 49 98 124 146 173 182												
CC	28361	14 7 39 56 60 66 58												
		24 21 72 50 81 89 66												